Nation's
Restaurant News®
The Newspaper of the Food Service Industry

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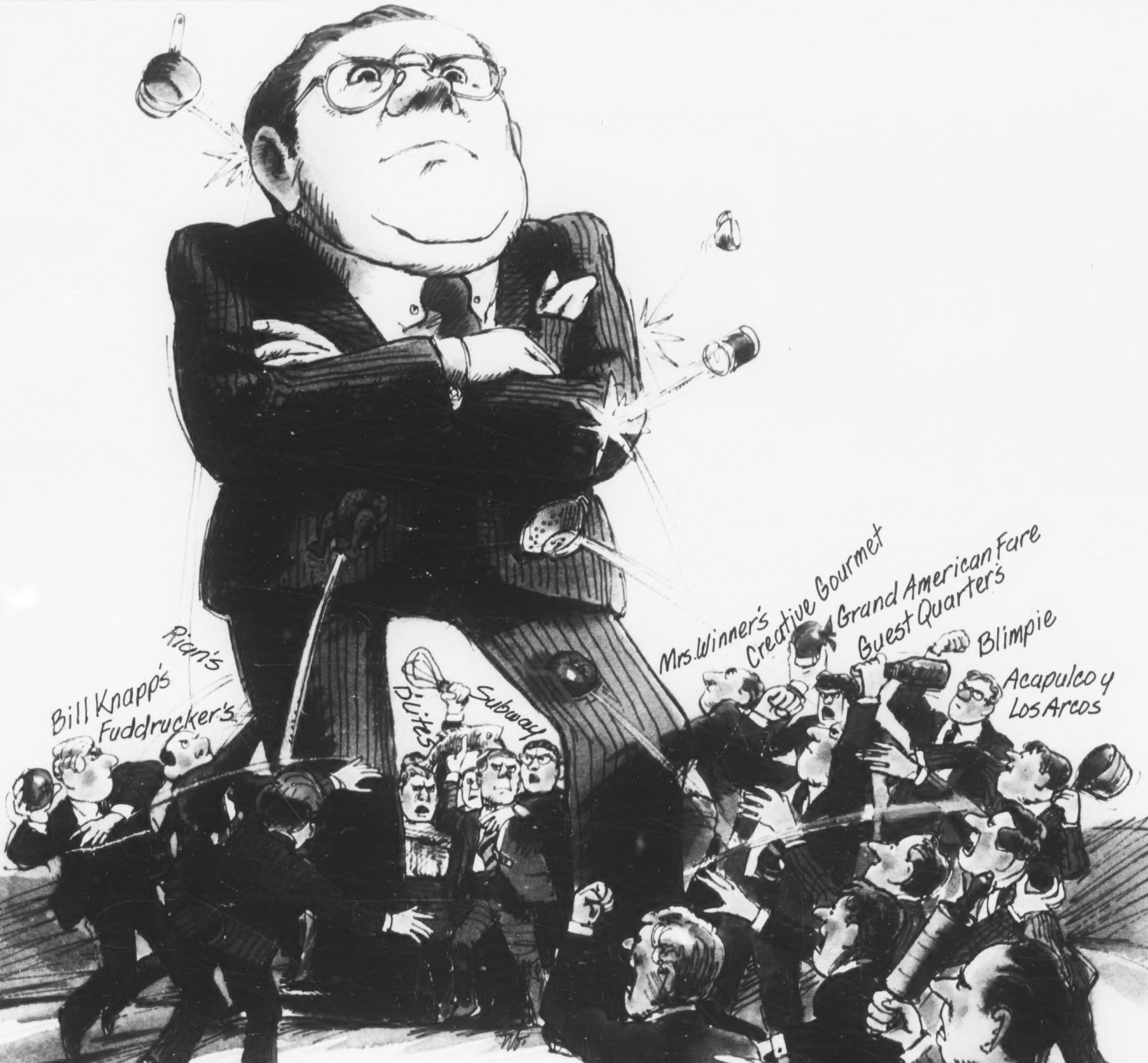
Rian's
Bill Knapp's
Fuddrucker's
D'Lites
Subway
Mrs. Winner's
Creative Gourmet
Grand American Fare
Guest Quarters
Blimpie
Acapulco y Los Arcos

FOOD SERVICE'S SECOND TIER CHALLENGES INDUSTRY GIANTS

In every segment and across geographic markets, aggressive medium-sized food-service firms are battling for niches of their own. Generating excitement and innovation, some are scoring with customers even better than their giant competitors.

Full coverage in this issue.

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- *Napa Valley dining comes of age—Pp. 30-58*

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7-Eleven expands fast-food offerings

By David Zuckerman

DALLAS—Southland Corp., in a continued effort to reposition its 7,300-unit 7-Eleven convenience store chain toward a higher fast-food profile, is testing made-from-scratch deli sandwiches and baked-on-premises pastries and doughnuts in a new duel-identity store design that combines the standard 7-Eleven logo with neon signage labeled JT's Bakery & Sandwich Shop.

In another test, the chain is also reportedly offering individual pouches of french fries at some stores in the San Antonio and Austin, Tex., markets. Chicken and hamburger tests have also launched in some markets, according to sources.

Currently, the JT's Bakery & Sandwich Shop concept is being tested at one location in Dallas—a converted Southern Methodist University student hangout—and one new store in Austin, Tex. The test will be expanded to other stores—some new, some converted—during the course of 1984, according to Bruce Krysiak, Southland's marketing vice president.

In what Krysiak indicated is a deliberate effort to create a new identity among consumers, the colorful neon graphics of the JT's signage used in conjunction with the traditional 7-Eleven logo give the impression that

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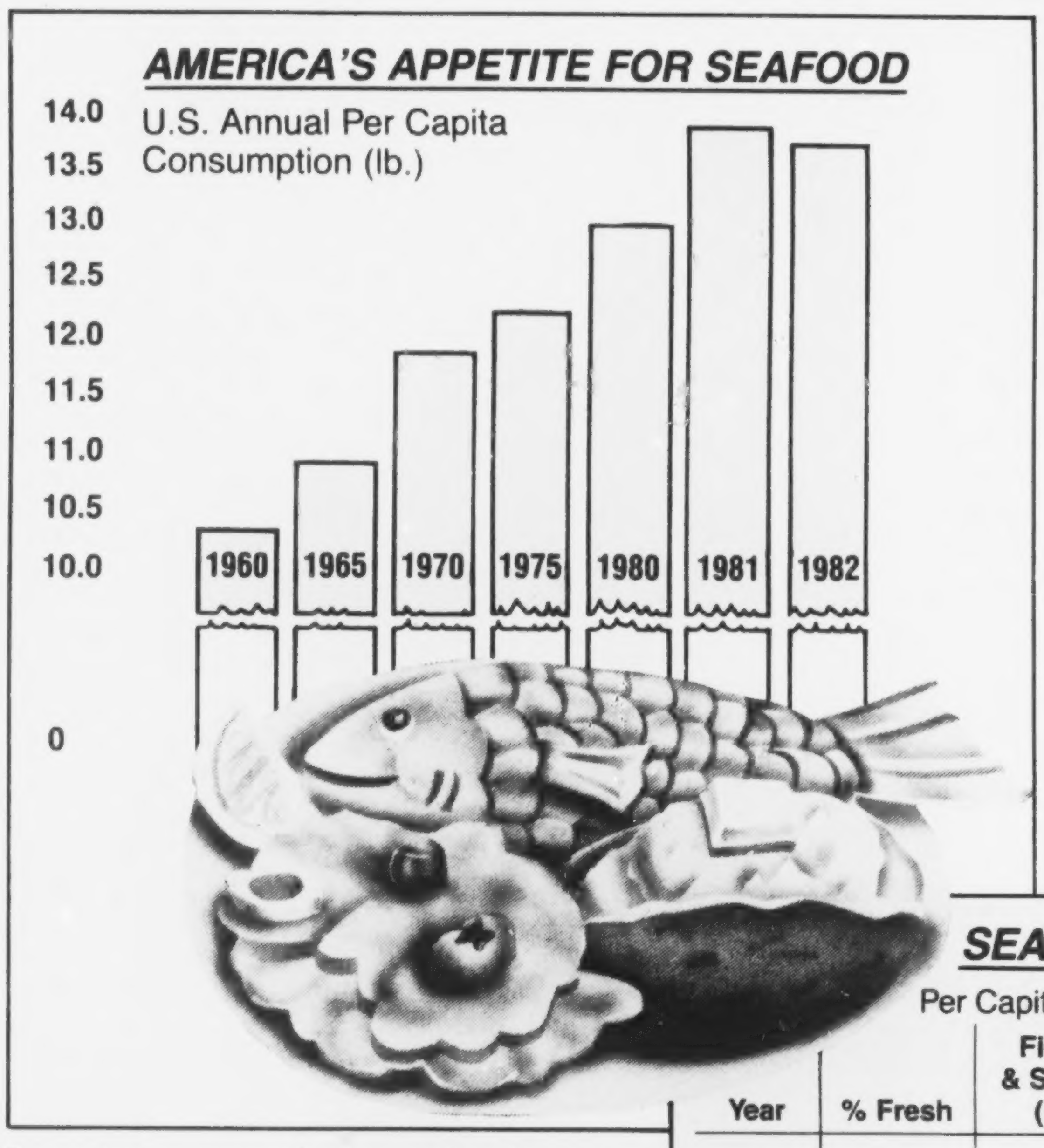

Long-term growth in seafood popularity has spurred recognition of a dramatic opportunity among foodservice operators. At the same time Government figures show market growth somewhat stunted. Operators say it's because of shortages, as at present, and high prices that are challenging them to use every bit of ingenuity they've got to exploit the market's potential.

Independents fight seafood shortages

By Charles Forman

Volcanic ash, windy seas and an icy winter have created a shortage of fresh seafood on both coasts that is straining merchandising creativity at scores of the nation's best-known seafood restaurants.

Frustration is rampant among tablecloth operators, who see unprecedented opportunity to cultivate tremendous potential demand for seafood threatened by nature's indifference and skyrocketing prices.

Chains claim buying power has protected them so far, but many independents say the cost for some of their most popular seafood items have doubled in less than a year, driving up menu prices accordingly.

"We have to reflect cost in what we charge," lamented Danny Brown of Paul Wimmer's Maxwell's, a 250-seat, $3 million-volume-a-year operation in Huntington Beach, Calif., where plate prices have recently increased from 50¢ to $3.

Some say they are "86-ing" (dropping) short items, shifting their menus to emphasize available specials, cutting back on fresh offerings and making more obvious the menu disclaimers that emphasize seafood's seasonality.

Others, however, are using a stronger merchandising approach, stressing combination platters, creative presentation of available items, careful portion control and development of new recipes.

At Tango in Chicago's Belmont Hotel, a 160-seater that does $2 million annual sales, owner George Badonsky, who

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SEAFOOD PREFERENCES

Per Capita Consumption For Selected Items

Year	% Fresh	Fillets & Steaks (lb.)	Sticks & Portions (lb.)	Shrimp, All Preparations (lb.)
1960	*	1.64	0.63	1.08
1965	*	1.68	1.12	1.24
1970	*	2.17	1.73	1.44
1975	*	2.42	1.80	1.41
1980	23.4	2.63	1.95	1.42
1981	22.7	2.74	1.82	1.47
1982	25.3	2.68	1.69	1.52

Source: Department of Commerce, National Fisheries Institute
*Not available

HoJo pushes new mid-priced Plaza Hotel line

By Susan Spedalle

NORTH QUINCY, Mass.—Attempting to recoup the losses in market share which it has suffered with its Motor Lodges, Howard Johnson's is breaking new ground with a midpriced hotel chain called Plaza Hotels.

The company hopes that by injecting some excitement into the midpriced market, its 500-plus Motor Lodges will again become a viable alternative to the business traveler.

Meanwhile, it expects to pick up new business with the $40 to $60 per-night Plaza Hotels which will offer customers the restaurant/lounge, full banquets staff and meeting rooms, executive floors and increased services not currently found at the Motor Lodges. Restaurants will be all-day outlets above the coffee shop level.

"This move . . . is a natural extension of our lodging business," said ceo G. Michael Hostage. "It will go beyond our traditional highway-oriented markets and will broaden our appeal to both business and leisure travelers."

The new concept is the project of ceo Hostage and Manuel M. Ferris, president of the hotel group, who joined Howard Johnson's just six months ago. Ferris was formerly president of Sheraton Hotel's North America division.

The two execs were involved in much of the research which led the company to introduce Plaza Hotels. Business travelers, they found, never considered staying at a Howard Johnson Motor Lodge because the needed services were not offered. This led Ferris and Hostage to the creation of a new concept which could piggy-back on the old success of the Motor Lodges yet offer today's busi-

(Continued on page 245)

Golden Fried seeks 70 Holly Farms units

AUSTIN, Tex.—Golden Fried Chicken, a 52-unit chain of restaurants in Texas and Oklahoma, was negotiating at presstime to buy 70 units of North Carolina-based Holly Farms Fried Chicken.

The sites would presumably be converted to Golden Fried units.

Consummation of the deal has been delayed several times but officials of both companies say a decision is due by April 5.

If the deal goes through, Golden Fried will increase its size and power in the fast-growing chicken segment and expand from its Southwest base to the Southeast. The 70 units are in North and South Carolina.

"We're now franchising heavily in the Southwest," said Dirk Dozier, president and cofounder of Golden Fried. "Purchasing 70 units lends us more credibility. It puts us on the map better."

Golden Fried's systemwide sales last year exceeded $15 million. Dozier said 30 franchised and company-owned stores are scheduled to be opened this year in Texas.

This deal is one of a continuing series of major purchases involving chicken chains in the past two years. Others include: the purchase of Lee's Famous Recipe Fried Chicken by Shoney's; Golden Skillet by International Dairy Queen; Ron's Krispy Fried Chicken by Church's Fried Chicken; Grandy's by Saga; Bojangles by Horn & Hardart, and El Pollo Loco by Denny's. However, this

(Continued on page 245)

LATE NEWSBREAKS

Overall sales at franchised food-service outlets rose 13% in 1983 and are expected to jump another 14% to $44 billion this year, according to a Government study.

A Burger King franchisee is expanding his Whopper Express concept to Philadelphia after tracking the success of five test units in New York City for about a year. Whopper Express has no seats and offers only Whopper burgers, one-size fries, one-size beverages and breakfast.

Wendy's is rolling out two new toppings for its Hot Stuffed baked potatoes—chicken a la king and beef Stroganoff. Baked potatoes with five toppings were rolled out nationally last fall and are credited with boosting real unit sales (comparative sales minus price increases) by 15%.

The Nuclear Regulatory Commission is coordinating a search for thousands of cast-iron restaurant table pedestals contaminated with radioactive cobalt. The pedestals were distributed in 10 states, mostly in the Midwest.

McD denies discrimination, heads for court showdown

By Joe Edwards

LOS ANGELES—Allegations that McDonald's regularly discriminates against black operators by confining them to less profitable "recycled" restaurants in poor inner-city neighborhoods have put the fast-food chain at loggerheads with an outspoken black franchisee and civil rights leaders.

The long-simmering feud between McDonald's and Charles M. Griffis has reached the courts with McDonald's suing to terminate Griffis' operating license for alleged violations of his franchise agreement, including operating two competing fast-food restaurants and failing to spend the required amounts of money on advertising.

Griffis, a seven-year McDonald's franchisee who operates four high-volume units in Los Angeles, charges McDonald's in a countersuit with racial discrimination and questions the validity and legality of the chain's standard franchise agreement.

The case, which has already become a public embarrassment for McDonald's and a cele-

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COMMODITIES

Beef, pork prices fall from January heights

NRN Special Report

The progress of beef and pork supplies and prices, forecast last December, have not followed the scenario they were supposed to. The forecasts called for continued low prices through the first quarter of this year, rising steadily from then through until fall. Instead, prices jumped in January.

However, by the end of February, both beef and pork prices had fallen from the highs reached in January. There was one factor which drove the prices up: the killer cold which destroyed cattle, raised producers' costs of feeding, held down the cattle weights and prevented delivery to market. There were five factors which caused the subsequent drop in prices—in the case of pork to below the levels of the same time last year.

These five factors, all of which resulted in overfilling the distribution pipeline, were:

1) A number of smaller and marginal producers decided to get out of the market as the result of higher feed prices and the disastrous effects of the cold weather from late December through January. This dumped a lot of beef on the market, particularly breeding cows, as soon as the weather permitted shipment to market.

2) A number of larger producers decided to cut back on herds for the same reasons. In the case of both of these groups, a large number of calves was also delivered to market, instead of being held for growth.

3) The new dairy agreement that 37,530 dairy farmers signed up for. (Although some 5.5% of normal milk production will be eliminated under the program, it fell far short of the Federal Government's hoped for 10%.) The easiest way to curtail milk production for those farmers is to cut back their herds, slaughtering older cows and those with minimum production capabilities. This is expected to result in ample supplies of lower-quality beef for ground beef-based operations and budget steak houses, although not quite so much as had been estimated when the program was announced.

4) Consumers traditionally reduce red meat consumption from mid-February through March.

(Continued on page 246)

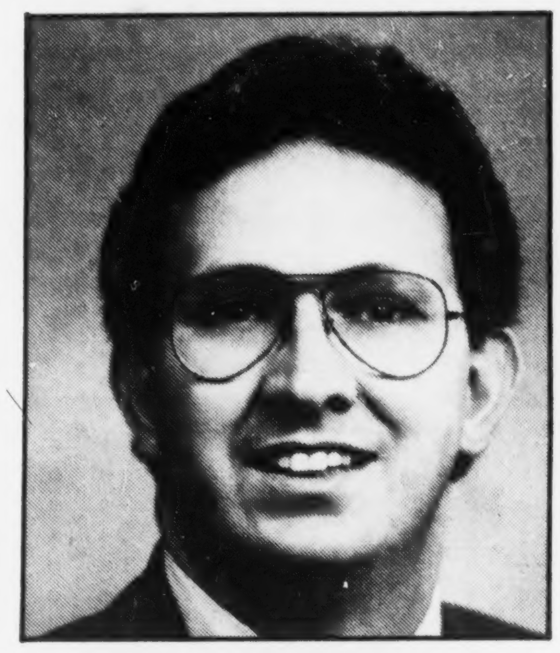
PRICE MOVEMENT AT A GLANCE

	Feb. 17, 1983	Jan. 17, 1984	Feb. 17, 1984
Applesauce, Fancy, NY State (6/10)	$9.00-9.25	$10.50-11.25	$10.25-11.00
Beef, Choice, 700-900 lb. Midwest (lb.)	$0.96	$1.07	$1.01
Broilers, Grade A, icepack, NYC (lb.)	$0.4886	$0.487	$0.6524
Cocoa, Ivory Coast, NYC (metric ton)	$2,067	$2,710	$2,642
Coffee, Brazilian green beans, NYC (lb.)	$1.31	$1.50	$1.52
Eggs, Grade A, large white, Chicago (doz.)	$0.6475	$1.12-1.00	$0.96-0.98
Peaches, Cling, Choice HS, Calif. (6/10)	$13.50	$16.00	$16.50
Pineapple, Slices, Fancy HS (6/10)	$16.15	$17.10	$17.85
Pork, Choice Loins, 14-17 lb., Midwest (lb.)	$1.15	$1.01	$0.95
Potatoes, round white, Maine (50 lb.)	$1.225	$4.00	$3.75

Source: NRN Research

Prices listed are packers' f.o.b. plant, unless specified, and do not represent the prices paid by the operator. This list is only a reference to indicate price trends against benchmarks of one year ago and one month ago. Products listed are those showing marked movement in price.

NRA counters criticism with swift DWI measures



Michael Grisanti

Kenneth Hill

By Charles Bernstein

ORLANDO, Fla.—Amid industry criticism that it was acting "or reacting" too slowly on key issues such as the controversial "driving while intoxicated" (DWI) responsibility question and tip reporting, the National Restaurant Association's board of directors enacted some fast-moving DWI-related measures at its Disney World winter board meeting.

Acting on a resolution advanced by Government relations chairman Jim Hasslocher and his committee, the board unanimously voted to establish full educational programs for managers and servers of establishments with alcoholic beverages, to encourage the use of table tents, posters and other display materials communicating DWI dangers to managers, servers, bartenders and customers and to launch a full-fledged task force of "industry leaders" to coordinate all the projects.

Michael Grisanti of Casa Grisanti Restaurant, Louisville, was named task force chairman, and Kenneth Hill, Gilbert/Robinson president, vice chairman. Other task force members initially named were Whataburger president Jim Peterson, Creative Gourmet president Stephen Elmont, New York City restaurateur Mike O'Neal, New York State Restaurant Association president Fred Sampson and Hilton Hotels f&b senior vice president Joseph Gardiner.

"We believe in the moderate and responsible dispensing of alcoholic beverages," said NRA one-year president Joe Lee afterwards. "Even though restaurants and taverns dispense only one-fourth of the alcohol consumed in this country, we do recognize the tragedy that can result from driving after excessive drinking and have committed our resources to increasing public awareness and understanding of the problem."

He indicated that the workshop programs to teach servers how to deal with potential DWI situations would commence this spring through state associations, under NRA auspices.

Lee said the task force "will review education programs, public awareness programs, industry practices and alternative forms of transportation and will then make recommendations to the NRA membership on how it can best aid in the efforts to reduce incidents of drunken driving."

At the same time, the NRA board voted vehement opposition to any attempts to establish a minimum purchasing age for alcoholic beverages on the Federal level "since the 21st amendment reserves that right exclusively to the states."

Peterson, chairman of the Political Education and State Communications Committee, warned the board that the DWI question "is a formidable, powerful issue," and said three major NRA seminars would be held shortly on the problem, in Los Angeles, Chicago and

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Friendly tests O'Goodies takeout

By David Zuckerman

WILBRAHAM, Mass.—Friendly, the Hershey-owned family restaurant chain known for its ice cream and desserts, has quietly developed a new format—a takeout-only ice cream dipping store—that is targeted toward the heavy concentration of walking traffic at mall locations and strip centers.

Called O'Goodies, the initial test store was launched in November of last year at the Holyoke Mall in Holyoke, Mass. While the store has been achieving high volumes—reportedly $1,000-$1,500 per day—the concept is "strictly a one-store test" at this point, according to a company source.

O'Goodies, reportedly only 200 sq. ft. with no seating, appears to be cut from the same mold as other scaled-down concepts that have been springing up. McDonald's, for example, has been testing a nonhamburger McSnack, while Burger King has launched a trial run of its Whopper Express concept.

Unlike a Friendly restaurant, which features a wide variety of ice creams and desserts, O'Goodies essentially offers a single product which the customer can tailor to his or her own tastes.

Two flavors of made-on-premises ice cream—chocolate and vanilla—are served in oversized waffle cones, also made in the stores. The customer can then choose from an array of toppings and fixings displayed behind the counter.

A store employee, who stays with the customer throughout the transaction, adds each ingredient the customer chooses and then tabulates the price when the concoction is completed.

O'Goodies basic cone sells for $1.62 and comes with three ingredients—granola, chocolate sprinkles and coconut crunch. Additional toppings and fixings at 35¢ each can be added without limitation to form what the company source described as "a sundae in a cone."

Among its variety of fixings, O' Goodies features a full range of Hershey's chocolate products such as Kisses and Reese's Pieces.

While the company source would not identify the specific toppings, he indicated that such standards as chocolate sauce, hot fudge, butterscotch and various fruits are included in the mix.

Wechsler Coffee, RA founder

Abraham Wechsler dies at 83

Abe Wechsler (left) in the mid-1960's with RA chairman and ceo Martin Brody (no relation to Jerry Brody).

NEW YORK—Abraham Wechsler, who built the Wechsler Coffee Corp. from a small $1 million company in the 1920's to a leading $200 million coffee, tea and food-service products supplier by the 1970's, died recently after a short illness. He was 83.

A pioneer in the food-service industry, Abe Wechsler took over the company from his late father, Phillip, when barely out of his teens. Abe is also known as the original founder of the Restaurant Associates empire, which in effect was launched in 1940 when William Riker couldn't pay back a loan to Abe, and Abe thereby assumed control of Riker's coffee shops.

By 1963, when RA had become a creative giant under Jerry Brody and Joe Baum with the Newarker, the Forum, La Fonda del Sol, the Four Seasons and other famous ones of that era, Abe Wechsler discharged Jerry Brody because of what the Wechsler family now calls "serious financial problems which were occurring with RA at that time" and "not because of any family problems." (Jerry Brody and others still maintain it was because of Brody's divorce of Abe Wechsler's daughter, Grace.)

Abe and his son, Robert Wechsler's son-in-law, James Slater, who since has operated the company as chairman from his Toronto office with his son,

(Continued on page 245)

California mulls fast food at highway rest stops

SACRAMENTO, Calif.—Food-service operators might become partners with the State of California to provide motorists with sustenance and services along the state's highways under a bill now before the State Senate.

S.B. 1380, introduced by State Sen. Jim Ellis (R-San Diego), would allow the state's highway agency, CalTrans, and the California Transportation Commission to begin a pilot project for codevelopment of highway rest areas with the private sector, including operators of fast-food restaurants, convenience stores and gas stations.

The bill is currently being debated and modified in committee hearings and would probably not come up for a vote in the very near future, Ellis said. A spokesman for CalTrans, which codeveloped the bill along with Ellis, said it was not yet clear how private-sector participants in rest area development projects would be selected. If such projects were done as joint ventures, they could be designed "quite a bit differently" from previously developed rest areas (which feature only parking, restrooms, telephones and water fountains), the spokesman said.

None of the 92 pre-existing state-built-and-maintained rest areas would be affected by the bill. Possible sites for the pilot codevelopments include five locations CalTrans has recommended for future rest areas, including two spots on Interstate

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FINANCIAL NEWS

Mr. Steak 1st quarter profit up 2.3%

DENVER—Mr. Steak Inc., operator of 240 restaurants in the United States and Canada, reported a net profit of $44,000 for the first quarter ended Dec. 26, a 2.3% gain over last year's initial quarter.

Revenue for the quarter was $15.3 million, an 11% improvement over year-earlier results.

Richard S. Jackson, Mr. Steak president, attributed the strong revenue showing to a 114% increase in sales of food products to grocery chains and food-service distributors. Mr. Steak, through its subsidiaries, provides processing sales and distribution of beef and associated meat and food products to the restaurant, food distribution and retail food industries.

Sales at Mr. Steak restaurants, on the other hand, were relatively flat for the quarter, impacting the chain's net profit picture. Harsh winter weather experienced in areas with a major concentration of Mr. Steak restaurants was the principal cause, Jackson said.

In addition to its restaurants and food-distribution arm, Mr. Steak distributes equipment and supplies and provides accounting services.

Po Folks 1st qtr. net profit rises 65% to $798,000

NASHVILLE—Po Folks Inc. reported net profit for the first quarter ended Jan. 1 rose 65% to $798,000, compared to the same period last year.

Revenue rose 63% to $23.3 million.

Sales and profit figures are consolidated, representing Po Folks family restaurants and a subsidiary, Davco Food, a Wendy's franchisee.

The company said Davco had a 45% sales increase in the quarter and "corresponding earnings growth." It operated 89 Wendy's during the period, compared to 76 the year before.

Po Folks added 10 restaurants (two company-owned and eight franchised) during the quarter, making a total of 92, exactly twice as many as there were at the same time last year. Clyde Culp, president, said Po Folks was ahead of its development plan.

Sister's franchisee's initial public offering raises $1.6 million

STERLING HEIGHTS, Mich.—SCB Restaurant Systems Inc., a five-unit Sister's Chicken & Biscuits franchisee, has raised about $1.6 million in an initial public offering.

The company was one of three operators chosen in 1980 by Sister's parent, Wendy's International, to test the chicken and biscuits concept. SCB leased the sites from Wendy's and got a break on franchise terms.

SCB, a start-up venture which is still operating at a deficit, has rights to develop 40 Sister's by 1992.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		2 weeks ended Feb 24							Price Trend (% per day)		Volume Trend (% per day)		Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin	Latest P/E Ratio	Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
					Change		52-Week																				
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days		Amt.	Pct.				Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity	
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
A&M Food Svcs	AMFD	6.75	6.00	6.00	-.25	-4.00	8.75	.00	-.87	-2.22	-.57	11.41	.38	.47 N	NC	17.0	4.8	12.8	.00	.0	00-00-00	21.0	1.0	.9	.39	1.09	1282
Acapulco Y Los	ALAR	5.25	4.25	4.38	-.88	-16.67	7.50	4.25	-.51	-3.23	-2.03	-47.32	-1.96	-2.01 F	-20.0	-42.0	-12.9	NE	.00	.0	01-06-81	37.9	-4.9	1.4	6.13	2.99	1082
Am Motor Inns	INN	30.00	28.63	29.75	.63	2.15	38.50	27.13	-.45	-.22	-5.47	-26.62	2.52	.49 Q	22.0	45.0	8.6	11.0	.30	1.0	01-26-84	162.5	13.9	1.8	12.04	15.89	0783
ARA Services	ARA	47.50	43.13	45.50	-1.50	-3.19	55.25	40.00	-.33	-.24	1.11	19.43	4.37	1.21 Q	36.7	-3.0	1.7	10.1	2.05	4.5	11-25-83	3056.6	52.0	1.1	23.29	46.15	0983
Assoc Hosts	AHST	13.25	10.50	11.75	-1.75	-12.96	18.50	10.50	-.34	-2.67	-3.37	45.53	.72	.45 Q	128.5	-1.0	3.6	14.7	.12	1.0	12-12-83	88.3	3.2	1.3	5.25	5.71	0983
Beefsteak Char	BCS	3.75	3.50	3.63	-.13	-3.33	9.63	3.50	-.44	.16	-.34	-10.16	-1.30	-2.18 F	-247.7	-27.0	-6.8	NE	.00	.0	00-00-00	98.2	-6.7	1.3	5.92	4.23	1082
Bob Evans Farms	BOBE	20.00	18.50	19.00	-1.75	-8.43	26.81	18.50	-.45	-.43	3.82	-27.11	.89	.12 S	14.1	23.0	7.5	19.6	.26	1.4	02-10-84	187.5	14.1	3.0	.00	5.54	0483
Brock Hotel	BHC	6.63	5.75	6.00	-.38	-5.88	11.25	5.38	-.48	-.87	1.71	22.37	.55	-.97 N	-118.2	-6.0	2.8	NE	.10	1.7	01-24-84	255.6	7.1	1.1	16.64	4.38	1282
Calny Food	CLNY	9.50	8.00	9.00	.25	2.86	11.50	8.00	-.51	-.38	-4.76	63.98	.53	-.03 N	-4.9	8.0	4.6	15.5	.16	1.8	01-25-84	30.2	1.4	.4	2.48	1.49	0283
Captain Crab's	CRAB	4.88	4.00	4.00	-.50	-11.11	8.38	3.50	.05	-2.80	4.85	-19.58	.00	.00 Q	NC	NC	.0	NC	.00	.0	00-00-00	1.5	.0	7.5	.01	.29	0883
Carrols Cp	CRL	8.63	7.38	8.38	.25	3.08	11.88	4.81	-.56	1.97	-4.15	-2.64	.50	.26 Q	83.8	99.0	3.6	14.7	.05	.6	12-23-83	85.2	3.1	.6	3.28	2.00	0582
Chi-Chi's	CHIC	19.13	16.63	17.88	.00	.00	29.00	13.94	-.91	.31	3.13	-6.85	.39	.26 S	96.2	67.0	9.4	33.7	.00	.0	09-28-83	94.2	8.9	2.6	1.87	1.62	0483
Ch Full-O Nut	CHF	14.88	12.88	12.88	-.25	-1.90	24.38	10.25	.68	-.55	4.17	-25.88	.64	.15 Q	32.6	-2.0	2.9	21.1	.50	3.9	12-09-83	111.6	3.2	2.9	.34	6.69	0783
Churchs Fr Ch	CHU	23.00	21.25	22.50	-.38	-1.64	33.50	21.25	-.31	.50	-1.02	-21.53	1.66	-.53 F	-24.2	3.0	6.8	13.6	.72	3.2	01-23-84	464.1	31.6	1.8	.62	11.74	1282
Cindys Inc	CNDYC	2.75	2.63	2.63	-.13	-4.55	4.00	2.63	-.47	-.11	1.89	14.35	.13	.46 S	NE	30.0	2.1	9.1	.00	.0	00-00-00	14.3	.3	.0	4.63	.43	1282
Collins Foods	CF	17.63	16.63	17.00	-.50	-2.86	21.63	13.34	-.60	.10	-.25	14.12	1.47	.30 S	22.5	28.0	3.8	10.4	.20	1.2	12-23-83	324.4	12.4	1.8	4.14	8.71	0483
Concept Dev	CDII	18.25	16.88	17.50	-.75	-4.11	19.28	14.53	-.01	-1.55	-.54	-11.71	.08	.08 F	NC	NC	1.3	NM	.00	.0	02-10-84	7.8	.1	1.0	.40	1.99	0683
Consul Corp	CNSL	13.38	10.88	13.38	1.63	13.83	18.75	10.88	-.47	3.80	2.63	30.76	.26	.30 S	500.0	40.0	2.5	41.8	.00	.0	00-00-00	32.0	.8	5.0	1.08	5.67	0583
Cracker Barrel	CBRL	17.50	15.75	17.25	.50	2.99	27.34	14.50	-.27	-1.08	2.59	48.26	.86	.10 S	12.5	25.0	4.4	19.2	.14	.8	11-28-83	45.7	2.0	4.1	2.64	7.33	0783
Denny's Inc	DEN	32.50	30.25	32.50	.88	2.77	39.25	29.00	-.15	.76	4.15	-8.34	2.54	.15 S	5.8	12.0	3.8	12.0	.72	2.2	03-06-84	1054.6	40.2	1.7	17.92	17.17	0683
Divfood	DFDI	15.13	12.75	14.38	-.63	-4.17	25.50	12.75	-.60	-.72	-1.03	15.64	.65	.06 N	10.0	110.0	15.8	21.8	.00	.0	00-00-00	37.9	6.0	2.1	.55	1.99	1282
Dunkin Donuts	DUNK	19.63	18.13	18.88	-.25	-1.31	28.75	18.13	-.27	-1.45	1.36	4.33	1.62	.22 F	15.7	26.0	10.2	11.7	.28	1.5	11-01-83	77.5	7.9	.9	5.93	9.56	1083
Fast Food Oper	POPI	1.63	1.13	1.63	.19	13.04	4.63	1.13	-1.57	8.43	4.03	-27.42	.05	.05 N	NC	81.0	6.5	32.5	.00	.0	00-00-00	4.6	.3	2.0	.02	.36	1282
Frisch's	FRS	28.50	26.38	26.88	-1.88	-6.52	32.94	14.91	-.27	-.32	1.41	-38.54	1.85	.77 S	51.3	25.0	3.7	11.8	.40	1.5	11-28-83	110.6	4.1	1.3	5.73	14.56	0583
Garcias Scot	GMEX	6.50	5.63	6.00	-.50	-7.69	15.88	5.63	-.90	.85	6.08	-10.94	-.20	-.46 N	NC	12.0	-3.2	NE	.00	.0	00-00-00	25.0	-.8	1.1	.52	4.10	1282
Hambrg Hamlet	HAMB	10.25	10.25	10.25	.00	.00	12.00	7.75	.52	-.20	-8.99	.00	-1.10	-2.11 Q	-185.0	-33.0	-2.4	NE	.00	.0	00-00-00	34.0	-.8	1.0	20.86	11.96	0383
Hilton Hotels	HLT	51.25	47.63	48.25	-2.75	-5.39	60.25	43.00	-.25	-1.43	-.21	-7.41	4.20	1.08 F	34.6	6.0	16.8	11.5	1.80	3.7	02-27-84	669.6	112.6	2.0	6.73	21.31	1282
Holiday Inns	HIA	44.38	40.50	42.25	-2.00	-4.52	59.00	36.88	-.43	-.12	2.88	-17.73	3.28	.78 F	31.2	12.0	7.8	12.9	.84	2.0	12-19-83	1585.1	124.4	.9	11.74	25.35	1282
Horn & Hardart	HOR	20.00	17.13	17.50	-.50	-2.78	30.78	15.31	-.31	-2.65	-.17	5.17	.70	.46 N	76.6	80.0	2.8	16.5	.00	.0	11-25-83	235.4	6.6	1.1	9.01	4.54	1282
Hungry Tiger	HTIG	8.38	6.25	6.75	-1.75	-20.59	11.75	6.25	-.15	-4.75	-.33	-5.99	.00	-.79 Q	-114.4	-16.0	.0	NE	.00	.0	11-15-82	63.8	.0	.9	4.75	3.66	0883
Intl Dairy Queen	INDQ	33.50	32.50	33.00	-.50	-1.49	40.00	27.00	-.06	-.17	2.37	-3.57	2.94	.77 F	35.4	72.0	6.2	11.2	.00	.0	00-00-00	115.7	7.2	1.0	11.31	7.21	1183
Int King Tab	IKNG	14.50	12.50	13.50	.00	.00	23.00	8.69	-1.00	-2.30	.88	-15.55	.92	.94 S	241.0	63.0	4.8	10.2	.00	.0	08-15-83	50.0	2.4	.4	5.16	3.18	0683
JB's Rest	JBBB	13.00	11.50	13.00	.13	.97	18.13	11.50	-.81	1.88	-3.38	-18.35	1.00	.06 Q	6.2	22.0	4.1	12.7	.20	1.5	02-07-84	53.3	2.2	1.0	5.17	7.42	0983
Jerrico Inc	JERR	14.25	13.38	13.75	-1.00	-6.78	23.13	12.75	-.56	-.25	-2.89	54.36	1.33	-.07 S	-5.3	17.0	4.6	11.1	.12	.9	01-30-84	452.1	21.0	1.8	5.03	10.28	0683
Kapok Cp	KPK	5.00	4.38	4.63	-.38	-7.50	10.75	4.38	-.15	-1.24	.39	-21.94	-1.29	-.92 F	NE	-52.0	-22.0	NE	.00	.0	00-00-00	12.3	-2.7	.7	1.74	2.45	0983
Kelly-Johnston	KEJO	10.38	6.75	8.63	-2.13	-19.77	18.75	6.75	-1.73	4.93	10.86	-29.21	.40	-.31 N	-75.6	16.0	6.3	86.3	.00	.0	10-13-82	38.0	2.4	4.0	3.29	4.41	0383
Karcher Carl	CARL	25.75	23.00	25.75	1.63	6.74	43.75	21.75	-.86	2.49	.18	5.70	1.32	.34 S	28.5	23.0	4.0	16.8	.00	.0	02-16-83	231.0	9.3	2.4	8.31	8.13	0183
Luby's Cafe	LUB	34.63	31.50	33.25	.75	2.31	39.75	28.00	-.22	-.95	4.59	-88.55	1.53	.18 Q	12.8	28.0	9.8	21.0	.60	1.8	03-05-84	141.4	13.9	1.6	.60	7.80	0883
Marcus Corp	MRCS	12.38	11.38	11.75	-.63	-5.05	15.13	10.00	-.45	-1.32	-2.12	-6.69	1.28	.27 S	23.6	7.0	6.1	8.3	.25	2.1	07-01-83	108.9	6.6	1.2	2.72	11.07	0583
Marriott Corp	MHS	65.38	61.50	64.00	-.50	-.78	81.00	56.00	-.36	.40	3.45	-31.99	4.15	.71 F	20.6	37.0	3.8	15.4	.44	.7	03-19-84	3036.7	115.2	.9	33.49	19.43	1282
McDonald's Cp	MCD	67.00	63.25	65.25	1.25	1.95	74.50	55.75	.10	-.52	.96	-15.63	5.74	.74 F	14.8	24.0	11.2	11.4	1.00	1.5	01-24-84	3062.9	342.6	.5	17.62	25.51	1282
Morrison Inc	MORR	15.13	14.38	15.13	.13	.83	21.06	14.38	-.63	.18	-1.64	-11.73	1.34	.19 S	15.4	13.0	4.5	10.7	.40	2.6	12-30-83	416.4	18.7	1.5	2.39	8.57	0583
Mr Steak	MSST	8.50	7.75	8.00	-.63	-7.25	10.50	3.50	-.45	.59	-2.12	27.42	.45	1.46 Q	NE	-25.0	1.1	17.8	.00	.0	05-29-80	63.8	.7	1.3	4.01	4.26	0983
Nathans	NATH	2.63	2.50	2.50	-.13	-4.76	3.63	1.44	.83	-1.22	1.04	31.31	.09	.12 N	120.0	25.0	1.1	11.4	.00	.0	09-09-83	17.5	.2	.8	.05	1.79	0383
Naugles Inc	NAUG	15.25	14.25	14.75	-.25	-1.67	32.75	13.25	-.82	-1.22	-2.34	-44.59	.70	-.10 S	-13.3	59.0	3.6	22.7	.00	.0	11-01-82	86.7	3.1	.8	6.57	4.96	0683
Oakbrook Cons	OKCO	16.00	16.00	16.00	.00	.00	18.50	14.00	.35	-.18	.58	.00	.69	-.81 N	-90.0	-10.0	.4	NM	.32	2.0	12-08-83	143.6	.6	.6	3.82	13.85	0982
Peoples Rest	PEPL	4.88	4.38	4.38	-.75	-14.63	15.13	4.38	-1.77	-1.90	-3.96	31.61	.28	.04 S	22.2	99.0	7.5	19.9	.00	.0	00-00-00	25.3	1.9	1.3	1.86	4.41	0683
Piccadilly Caf	PICC	16.38	15.00	16.38	1.38	9.17	18.13	12.75	.53	1.55	.51	6.73	.99	-.43 S	-33.0	2.0	3.9	18.8	.60	3.7	12-09-83	152.7	6.0	1.6	.00	7.71	0683
Pizza Inn	PZA	10.50	10.00	10.25	-.25	-2.38	17.50	7.50	-.94	.03	3.42	-1.57	.55	.70 N	179.4	9.0	1.3	9.4	.08	.8	01-10-84	135.1	1.7	.9	12.32	6.63	1282
Pizza Time Thea	CHKY	5.25	3.38	5.13	.63	13.89	26.00	3.38	-1.25	6.01	-.01	-13.95	1.27	-1.69 N	-150.8	86.0	7.6	NE	.00	.0	00-00-00	99.3	7.5	1.2	5.53	9.23	1282
Po-Folks	POFO	14.00	12.75	13.38	-.50	-3.60	16.75	12.75	-.44	-.07	-1.89	7.05	.37	.41 Q	NC	4.0	1.9	32.6	.00	.0	00-00-00	69.8	1.3	1.1	4.68	4.95	0983
Ponderosa Sys	PON	21.38	18.88	20.75	-.50	-2.35	25.25	16.00	-.44	-.33	-6.63	9.07	1.50	-.41 N	-25.7	-5.0	2.8	17.6	.33	1.6	12-14-83	376.7	10.4	.8	8.03	12.43	0283
Ramada Inns	RAM	8.13	7.13	7.63	-.38	-4.69	11.88	7.00	-.95	-1.27	2.14	37.53	.13	.86 F	NE	-24.0	.7	58.7	.00	.0	10-19-81	573.8	4.2	.6	18.50	5.12	1282
Rax Restaurants	RAXR	17.00	16.00	16.25	-1.00	-5.80	23.25	.00	-.07	-1.23	-3.77	-9.91	.57	.63 Q	NC	57.0	3.8	25.8	.00	.0	00-00-00	63.0	2.4	1.7	4.33	3.63	0783
Restaur Assc	RA	8.00	7.25	7.25	-.88	-10.77	11.38	7.00	-.35	-.99	-4.95	-50.00	.77	.12 N	19.3	37.0	1.8	9.8	.00	.0	00-00-00	104.8	1.9	1.0	3.98	7.15	1282
Ryans Fam Steak	RYAN	18.00	15.50	16.50	-1.75	-9.59	28.25	11.63	-.99	-1.93	.97	19.59	.52	.20 F	62.5	86.0	10.6	31.7	.00	.0	04-20-83	19.8	2.1	3.1	.34	1.61	1282
Saga Corp	SGA	26.75	25.00	25.38	.00	.00	40.25	21.56	-.11	-1.20	-2.41	15.92	2.10	.52 S	29.7	64.0	2.3	11.2	.44	1.7	02-10-84	978.8	22.4	.9	4.65	10.62	0683
Sandwich Chef	SHEF	9.75	9.50	9.75	.25	2.63	15.50	9.00	.22	.33	-7.70	72.01	.70	-.18 S	-23.6	17.0	4.5	16.8	.00	.0	00-00-00	20.2	.9	1.5	.08	5.38	0683
Sea Galley	SEAG	9.00	7.88	8.38	.00	.00	15.00	7.50	.46	-2.57	4.24	-21.84	.02	-.81 N	-155.7	-14.0	-.6	NE	.00	.0	06-02-81	70.1	-.4	1.3	5.10	4.90	1282
Servico Inc	SRVI	15.25	14.00	14.00	-1.25	-8.20	18.00	12.72	-.35	-1.03	-5.96	36.05	.67	-.35 N	-36.8	26.0	1.5	23.3	.00	.0	09-09-83	138.1	2.1	1.1	59.81	5.64	1282
Shoney's Inc	SHON	21.88	20.00	21.88	.13	.57	27.38	20.00	-.49	1.15	5.40	-65.08	1.17	.25 F	27.1	37.0	6.0	18.7	.16	.7	01-04-84	392.8	23.4	1.6	2.64	6.83	1083
Sizzler Rest Intl	SIZZ	9.75	8.75	9.75	-.25	-2.50	16.25	8.75	-.90	.35	1.54	4.61	1.01	.09 S	9.7	16.0	4.5	9.7	.00	.0	00-00-00	128.0	5.8	1.0	2.33	4.63	0482
Skippers	SKIP	10.00	9.75	9.75	.00	.00	15.50	6.84	.30	-.93	-2.95	-56.54	.81	.33 F	68.7	25.0	4.0	12.0	.06	.6	10-11-83	50.5	2.0	.5	3.38	6.69	1282
Sonesta Hotel	SNSTA	17.50	17.50	17.50	.00	.00	22.00	16.50	.35	-.17	11.58	34.44	.37	.56 N	90.3	5.0	.9	14.8	.26	1.5	10-05-83	80.1	.7	1.1	34.95	12.68	1282
So Hospitality	SHOS	4.25	4.25	4.25	-.13	-2.86	7.50	4.25	-.31	-.27	-4.00	-20.98	.27	.07 S	29.1	89.0	3.8	13.7	.00	.0	00-00-00	26.3	1.0	.8	4.32	.24	0583
Steak n Shake	STAK	8.50	7.38	7.38	-.63	-7.81	10.00	4.00	-.05	-3.15	.78	-16.18	.29	.07 Q	31.8	67.0	2.0	25.4	.00	.0	05-17-79	64.4	1.3	1.1	4.94	2.76	0982
Victoria Stations	VSTA	7.00	6.00	6.38	-.38	-5.56	13.63	5.88	-.18	-2.07	-1.23	19.61	-2.39	-1.81 N	NE	-85.0	-7.1	NE	.00	.0	09-19-79	111.9	-8.0	.6	8.39	8.51	0383
Wendys Intl	WEN	20.00	18.00	20.00	1.50	8.11	22.00	14.38	.09	1.57	-.38	11.80	1.35	.22 F	19.4	20.0	7.7	14.8	.32	1.6	11-03-83	720.4	55.2	.8	2.53	6.50	1282
Western Steer	WSMP	11.50	10.00	10.00	-1.50	-13.04	17.50	9.75	-.04	-3.05	-.60	-50.00	.92	-.07 N	-6.1	7.0	3.1	9.4	.16	1.6	11-18-83	28.8	.9	1.3	6.21	7.23	0283
Winners Cp	WNER	12.13	10.88	11.00	-1.00	-8.33	17.13	10.88	-.80	-1.75	-5.46	-41.93	.63	.00 F	.0	9.0	3.3	17.5	.00	.0	03-10-83	88.2	2.9	.5	7.06	6.43	1282

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

Wendy's net jumps 25%

DUBLIN, Ohio—Spurred by a successful new product rollout and increased ad spending, Wendy's net profit jumped 25% to $55 million on a 19% rise in revenue to $720 million in 1983 compared to the previous year, according to Robert Barney, chairman and chief executive.

Systemwide sales rose 18% to $1.9 billion in 1983 and unit sales at the 2,673 restaurants operating at year's end jumped 8% to $759,000 compared to $703,000 at the 2,430 units open at the end of 1982.

Wendy's 1983 results were boosted considerably by a strong fourth quarter, Barney said. In the three months ended Dec. 31, net profit rose 28% to $14.8 million on a 29% rise in revenue to $202 million. Systemwide sales in the fourth quarter increased 29% to $537 million.

Real sales (total sales minus menu price increases) jumped 5% for the year and 15% in the fourth quarter, Barney said. Average unit sales in the fourth quarter were up 18% to $205,000 compared to the same period in 1982.

Claiming the company is "on track toward our goal of $1 million average sales per restaurant," Barney noted that profit margins at the 922 company-operated restaurants rose to 19% from 18.1% the previous year.

A $20 million national advertising campaign supporting the systemwide rollout of Hot Stuffed baked potatoes helped boost sales in the fourth quarter and attracted new customers, Barney said. The push for baked potatoes and other "aggressive advertising" also contributed to overall 1983 gains.

Wendy's opened 243 new restaurants last year and plans between 250 and 300 new units this year, including 100 new company-owned units. There are 153 Wendy's outside the United States.

USACafes earnings rise 88% during first quarter

DALLAS—USACafes, the multiunit franchisor of 550 Bonanza restaurants, has reported an 88% increase in net profit to $289,000 for the first quarter ended Dec. 31, compared to the same period a year ago, when franchise operations were part of Bonanza Int'l. Revenue for the quarter was up 18.5% to $3.2 million.

Sales per-Bonanza restaurant also increased 10% over those of the previous year and domestic sales for the Bonanza chain totaled $87 million for the quarter, compared with $85 million for the year ago period.

USACafes recently signed a licensing agreement with Mother Culpepper's Int'l, a Denver-based barbecue chain, to franchise 40 restaurants in the eastern United States.

In early January, USACafes announced the sale of area development rights under agreements that will provide $3.5 million in future revenues to the company. Also in January, USACafes acquired 36% of Shakey's Inc., a Dallas-based pizza restaurant chain, for $2.5 million in cash. USACafes also signed area development and reciprocal franchising agreements with Shakey's.

Benihana profit hits $296,000

MIAMI—Benihana National Corp., owner and operator of 14 Benihana of Tokyo restaurants, recorded a profit of $296,000 on revenue of $4.8 million during fiscal 1984's first quarter ended Jan. 1.

Benihana National completed an initial public offering in May 1983 and used a share of the proceeds to acquire certain restaurant operations from its parent, Benihana of Tokyo Inc., which owns and operates 35 Benihana restaurants and franchises 15 to others.

Benihana National has the exclusive rights to the Benihana trade names and service marks in connection with the expansion of the Benihana restaurant chain in the United States and certain foreign countries. In addition, Benihana National owns and operates two Teriyaki USA restaurants, a fast-food concept, and has begun marketing a line of Benihana frozen-food products for retail distribution.

Nankin Express raises $2.5M in stock offering

MINNEAPOLIS—Nankin Express, a Chinese fast-food chain based here, has raised about $2.5 million in its first public stock offering.

Richard Gottlieb, vice president, said the money would be used for expansion. About 1.1 million shares were sold at $2.50 for a share plus a half-warrant.

Nankin has also signed a major deal with International Multifoods, which will be the subfranchisor for the chain east of the Mississippi River.

International operates Mr. Donut, Boston Sea Party and Canadian pizza chain, Pizza Patio.

For the third quarter, ended Oct. 9, Nankin reported a net loss of $69,060, compared to a loss of $42,058 in the same period the previous year.

Revenues, however, rose 76% to $218,645.

For nine months the net loss was $173,225, compared to $139,309. Sales increased 111% to $365,927.

Gottlieb said International planned to open up to six units in a year.

Pizza Hut, Taco Bell profits up to $154M

PURCHASE, N.Y.—PepsiCo reported that operating profit in its food-service division for the fiscal year ended Dec. 31 rose 29.3%, compared to 1982, to $154.3 million. The division includes Pizza Hut and Taco Bell.

Food-service revenue in 1983 was up 21.3% to $1.5 billion.

The food-service division showed the biggest increases in both operating profit and revenue for the year among PepsiCo businesses, but the leader in gross dollas in both categories was still the food-products component, maker of Pepsi-Cola, with profit at $347 million on sales of $2.4 million.

Combined average sales per store for Pizza Hut and Taco Bell were up 17%. Real sales (accounting for menu-price increases) rose 11%.

PepsiCo attributed the sales gains to the successful introductions of new products at the two chains.

Overall, PepsiCo reported net profit of $284.1 million for fiscal 1983, a 27% increase, and revenue totaling $7.9 billion, a 5.3% rise.

Winners' profit up 32% to $2.8 million in '83

NASHVILLE—Winners Corp., paced by consistent growth of its Mrs. Winner's Chicken 'N Biscuits division and a strong fourth quarter performance from its Wendy's operations, posted a net profit of $2.8 million for the fiscal year ended Dec. 31, a 32% gain over fiscal 1982 results.

Revenue for the year reached a record high of $88.2 million.

For the fourth quarter ended Sept. 30, the company reported a net profit of $832,000 on revenue of $25.2 million.

Winners Corp. chairman Jack C. Massey attributed the company's record sales and earnings for 1983 to "consistent same-store sales growth" at both of its major divisions.

Sales at the company's 127 Mrs. Winner's Chicken 'N Biscuits outlets rose 18.5%, from an average of $540,000 per store in 1982 to an average of $640,000 for 1983.

Marriott refinances NYC hotel

BETHESDA, Md.—Marriott Corp. has refinanced its 50-story, 1,878-room Marriott Marquis convention hotel in New York City with a $328.5 million loan from a group of 23 financial institutions in 15 states.

The loan will provide construction and permanent financing for the hotel, which is under construction in Times Square and scheduled to open in mid-1985.

Marriott owns 89% of the hotel and John C. Portman Jr., an Atlanta architect and developer, the remaining 11%.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Associated Hosts	3 mos.	12/29			$ 22.800	11.0	$ 0.794	85.0
Benihana	3 mos.	1/1			4.800	—	0.296	—
Big Bite	3 mos.	9/30			4.700	—	1.500	—
Int'l Dairy Queen	3 mos. 12 mos.	11/30			23.500 99.300	19.5 17.5	0.982 7.200	11.7 16.7
Kelly-Johnston Ent.	3 mos. 9 mos.	12/31					(2.071) (0.202)	— —
Luby's Cafeterias	3 mos.	11/30			38.900	14.0	3.600	14.0
Marriott	3 mos. 12 mos.	12/30			948.000 3,000.000	22.0 19.0	31.000 115.200	21.0 22.0
McFaddin Ventures	12 mos.	11/30	$ 32.000	38.0			3.100	76.0
Mr. Steak	3 mos.	12/26			15.300	11.0	0.044	2.3
Nankin Express	3 mos. 9 mos.	10/9	 0.365	 111.0	0.218	76.0	(0.690) (0.173)	— —
Pancho's	3 mos.	12/31			6.900	16.0	0.206	20.0
PepsiCo food-service div.	12 mos.	12/31			1,500.000	21.3	154.300	29.3
Po Folks Inc.	3 mos.	1/1			23.300	63.0	0.798	65.0
Rax Restaurants	3 mos. 9 mos.	1/28			18.628 38.910	31.0 33.0	0.655 2.034	93.0 99.0
Rusty Pelican	3 mos. 6 mos.	1/15	7.593 15.289	22.0 14.7			0.333 0.558	39.9 36.1
Shoney's South	3 mos. 9 mos.	10/2			35.500 109.700	17.0 17.0	1.500 3.900	125.0 131.0
Swensen's Inc.	3 mos. 12 mos.	12/31	2.828 14.494				(0.251) (0.285)	— —
USACafes	12 mos.	12/31	87.000	10.0	3.200	18.5	0.289	88.0
Vie de France	6 mos.				24.200	32.0	2.400	32.0
Wendy's	12 mos.	12/31	1,900.000	18.0	720.000	19.0	55.000	25.0
Western Steer	3 mos. 9 mos.	11/4			9.020 24.700	28.0 25.0	0.494 0.949	65.0 34.0
Winners Corp.	12 mos.	12/31			88.200	6.0	2.800	32.0

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

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Industry PACs stockpiling '84 election funds

WASHINGTON—Political fund-raising efforts by fast-food chains and industry trade associations for the upcoming state and Federal elections are off to a fast start.

According to *Nation's Restaurant News*' analysis of Political Action Committee reports filed at the Federal Election Commission, fund-raisers at key restaurant industry trade associations and scores of individual food-service chains have already raised nearly $1 million since the 1982 elections.

Senate Finance Committee chairman Bob Dole (R-Kan.) got only $1,000.

An earlier study conducted by *NRN* found that political fund-raisers at Burger King, McDonalds, Steak & Ale, the National Restaurant Association and other food-service organizations collected just over $1.5 million for the entire 1982 election campaign.

Although industry PACs made over $1,600 contributions they did not spend their entire campaign warchest in 1982, but left nearly $400,000 in their coffers for the 1984 races.

At least part of the reason for the upsurge in industry PAC collections for this year's Federal and state races is the fact that 1984 is a Presidential election year.

Based on the latest (December 1983) PAC reports filed at FEC, political fund-raisers at the International Association of Holiday Inns and Ponderosa donated $2,000 and $400, respectively, to John Glenn's (D-Ohio) campaign.

Ernest Hollings and Reubin Askew also received "token" contributions of $250 each from PACs formed at PepsiCo and Holiday Inn.

Another and perhaps more important reason for the growing activity of restaurant industry PACs is the fact that food-service operators are becoming increasingly sensitized to the need to influence legislative decisions affecting their business.

Since the last election, Congress has considered a flurry of bills aimed at raising the minimum wage rate, establishing a national drinking age and setting stiff new employer penalties for hiring illegal aliens.

NRN's restaurant industry PAC analysis found that Senate Finance Committee Chairman Robert Dole (R-Kan.)—a driving force behind Congressional approval of new tip-reporting legislation of concern to non-fast-food restaurants—received only one industry PAC donation ($1,000 from McDonald's).

Food-service operators are also becoming more involved in local politics as state lawmakers increasingly introduce bills that critically impact on the industry.

In the beginning weeks of 1984 state lawmakers introduced thousands of proposals ranging from dram shop bills to meal tax legislation, to polygraph measures that affect restaurateurs.

An exclusive *NRN* survey of PAC reports on file with FEC found that there are now at least 26 food-service industry PACs actively raising campaign funds for Federal and state candidates.

At presstime the restaurant industry PACs tracked by *NRN* had made 433 contributions to House and Senate candidates as well as additional payments to dozens of state office seekers.

Specifically, in 1983 those food-service industry PACs doled out $294,134 to Congressional candidates, with Republicans receiving 70% of the funds.

While contributions ranged in size from $200 to $4,000 Republicans generally received the larger donations. The average payment to GOP candidates was $733, compared to $442 for Democrats.

Republican candidates garner most PAC funds

WASHINGTON—Here is how the five largest restaurant industry PAC's shape up now:

- **Shoney's: The industry's largest in terms of receipts raised more than $130,000 since the 1982 elections, and has already spent close to $50,000 of that war chest, the majority of it on politicians running for local and state offices in Louisiana, Kentucky, Tennessee, Missouri and Georgia.**
- **Greyhound, the most active PAC, contributed to 75 candidates since the 1982 elections. GOP candidates had a slight edge, receiving 56% of the funds donated to Federal candidates by Greyhound's PAC.**

(Continued on page 18)

During the last Federal campaigns, restaurant industry political fund-raisers also tilted more heavily toward GOP candidates, with Republicans receiving 71% of the over $1.1 million spent by the PACs for the '82 races.

However, *NRN*'s recent survey of FEC filings found that at least two restaurant industry PACs channeled more money into Democratic than Republican campaigns over the past 12 months.

Political fund-raisers at the International Franchise Association pumped 54% of their Federal contributions ($5,450) to Democratic candidates, including $1,000 to House Commerce Travel and Tourism Chairman James Florio (D-N.J.).

Florio, who sponsored pending legislation that would establish a national drinking age of 21, also received contributions from PACs formed by the American Hotel Motel Association, the International Association of Holiday Inns and Holiday Inns.

Marriott's PAC also tilted toward Democratic candidates, earmarking 81% or $6,500 of its Federal contributions to that party in 1983.

Although political fund-raisers often stress the need to elect new pro-business members to Congress, all of the restaurant industry PAC contributions made to Federal candidates since the 1982 elections went to incumbents.

In addition to supporting incumbent Federal candidates, food-service industry PACs also earmarked nearly $30,000 for allied industry fund-raising organizations including those operated by the NRA, AHMA and the International Franchise Association.

For example, 55% of all PAC contributions made by Marriott since the last election went to allied industry political fund-raising groups.

Specifically, political fund-raisers at the chain donated $2,500 each to PACs run by NRA and AHMA and $5,000 to the Bipartisan Coalition for American Exporters PAC.

On the other hand, AHMA's PAC, one of the most active, spread its donations ($28,175) among 39 Senate and House candidates. At presstime the PAC still had over $50,000.

Based on the latest FEC filings, NRA's PAC also has over $50,000 in its coffer. Since the 1982 election political fund-rais-

(Continued on page 18)

FOOD-SERVICE INDUSTRY PAC CONTRIBUTIONS

Sponsor	PAC Collections For '84 Campaign	$ On Hand From '82 Elections	PAC Contributions To:			Admin. Costs	$ Available For '84 Campaign
			Federal Candidates	State Candidates	Other Industry PACs		
Burger King	$ 31,606	$ 5,553	$ 5,000	$ 0	$ 0	$ 0	$ 32,159
Carl Karcher	3,966	1,266	150	0	0	0	5,082
Greyhound	101,292	42,160	30,900	0	0	4,510	108,042
Hardee's	16,931	2,236	0	0	0	247	18,920
Heublein	6,757	6,626	3,000	0	0	0	10,383
Holiday Inns	21,041	3,803	17,750	0	6,320	279	495
International Association of Holiday Inns	74,462	23,505	22,000	0	3,000	1,109	71,858
International Multifoods	1,669	4,324	0	0	0	0	5,993
JB's Big Boy	1,183	1,708	0	0	0	0	2,891
Jerrico	28,342	14,777	3,350	0	4,800	414	34,555
Marriott	46,738	3,128	8,000	0	10,000	1,187	30,679
McDonald's	74,443	13,720	33,675	0	0	3,722	50,766
Morrison	41,868	52,519	16,109	0	2,205	370	75,703
PepsiCo	76,186	39,995	25,425	0	0	1,564	89,192
Ponderosa	8,063	1,883	900	0	100	29	8,917
Ralston-Purina	0	592	550	0	0	0	42
Shoneys	133,588	66,174	11,800	37,767	960	3,445	146,330
Steak & Ale	84,857	32,171	20,000	0	2,000	1,261	93,767
Stouffer	8,083	2,775	550	0	0	0	10,308
United Air Lines	37,968	24,740	36,700	0	0	1,957	24,051
Whataburger	600	10	0	0	0	0	610
White Castle	17,180	9,060	4,950	0	0	917	20,373
Trade Associations							
American Hotel/Motel Assoc.	49,340	32,293	28,175	0	250	2,807	50,401
International Franchise Assoc.	10,597	4,090	5,450	0	0	415	8,822
Nat'l Restaurant Assoc.	68,642	8,646	19,700	0	0	3,562	54,026
Texas Restaurant Assoc.	0	58	0	0	0	11	47
Totals	$945,402	$398,352	$294,134	$37,767	$29,635	$27,806	$954,412

Source: *NRN* Research

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Food-service PACs build election 'war chests'

(Continued from page 17)

ers at the trade association have only spent 29% of the nearly $70,000 they collected in the last year.

Republican candidates received 76% of the NRA PAC's contributions, with House minority leader Robert Michel (R-Ill.) and Joint Economic Committee Chairman Roger Jepsen (R-Iowa) accepting $1,000 each.

Although many PACs spread their contributions around to a broad cross-section of candidates, political fund-raising organizations including those operated by Heublein, Carl Karcher and Stouffer bucked this trend. According to the latest FEC filings, the three PACs donated a total of $3,700 to four Federal candidates since the 1982 elections.

While most of the restaurant industry PACs have already begun channeling thousands of dollars to scores of politicians running for Congress, five separate PACs run by Hardee's, International Multifoods, JB's Big Boys, Whataburger and the Texas Restaurant Association have yet to support a Federal candidate.

5 Republicans top PAC list

(Continued from page 17)

- Political fund-raisers at Steak & Ale earmarked all of their Federal contributions ($20,000) to Republican candidates in 1983. During the 1982 Congressional campaigns, Steak & Ale's PAC also tilted in favor of Republicans with 89% of the $71,300 it donated to Federal races going to G.O.P. candidates.
- Based on the latest Federal Election Commission filings, Pepsico's PAC raised $76,186 since the last elections, donating over $25,000 to 31 House and Senate candidates. These contributions ranged in size from $250 to $2,000, with Republicans receiving 75% of the total contributions made to Federal candidates.
- The PAC formed by the International Association of Holiday Inns channeled $22,000 to Federal candidates and $3,000 to allied industry political fund-raising groups including the American Hotel Motel Association in 1983. According to the latest F.E.C. figures, the International Association of Holiday Inns has over $70,000 left in its campaign war chest for the November elections.

Evans, Pressler, Jepsen top PAC list

WASHINGTON—Five Republican senators were the top recipients of restaurant industry Political Action Committee funds in 1983, according to *Nation's Restaurant News* computerized survey of the latest Federal Election Commission filings.

Specifically, those senators received 14% of the total contributions ($294,134) made by restaurant industry political fund-raisers since the 1982 elections.

To date the top recipients of food-service industry PAC funds are:

- Sen. Daniel Evans (R-Wash.), who received a total of $13,500 from PACs formed at McDonald's, Marriott, United Airlines, PepsiCo, Morrison and the American Hotel-Motel Association. Those contributions, however, were not for the 1984 race, but rather for a special election held last November in Washington State due to the death of Sen. Henry "Scoop" Jackson. Since winning that election, Evans was chosen to sit on the Senate Energy and Natural Resources Committee.
- Sen. Larry Pressler (R-S.D.), chairman of the House Business-Trade-Tourism Subcommittee, who accepted a total of $7,150 from seven separate restaurant industry PACs. Individual PAC contributions ranged in size from $250 (Greyhound and Steak & Ale) to $2,000 (Holiday Inns and the International Franchise Association), with political fund-raisers at United Airlines contributing $500 and those at McDonalds and PepsiCo donating $1,075 each.
- Sen. Roger Jepsen (R-Iowa), head of the powerful Joint Economic Committee which will tackle tough budget and tax issues this year, who received $7,000 from industry PACs. Since the last elections, political fund-raisers at Steak & Ale, the National Restaurant Association, the American Hotel-Motel Association, Greyhound and PepsiCo donated between $1,000 and $3,000, each to Jepsen's re-election campaign.
- Sen. Chic Hecht (R-Nev.), who collected a total of $6,500 from PACs formed by Steak & Ale, White Castle, McDonald's, the International Association of Holiday Inns and Greyhound in 1983. The senator is a member of the Financial Institutions and Federal Credit Program subcommittees as well as the Energy and Natural Resources Committee.
- Sen. John Warner (R-Va.), who sits on the Energy and Natural Resources Committee. He received a total of $6,500 from six separate food-service industry political fund-raising groups since the last election. Among other things, the Energy and Natural Resources Committee will be considering President Reagan's controversial natural gas decontrol bill this year. Any change in the price control levels is of critical concern to the restaurant industry because a large number of food-service operators rely on natural gas for cooking.

NAWGA conference to search for ways to alleviate hunger

CHICAGO—Food distributors and processors attending the National-American Wholesale Grocers' Association annual convention and exposition at the Hyatt Regency hotel here March 18-21 are scheduled to discover ways to turn their surplus and unsalable food products into meals for the hungry.

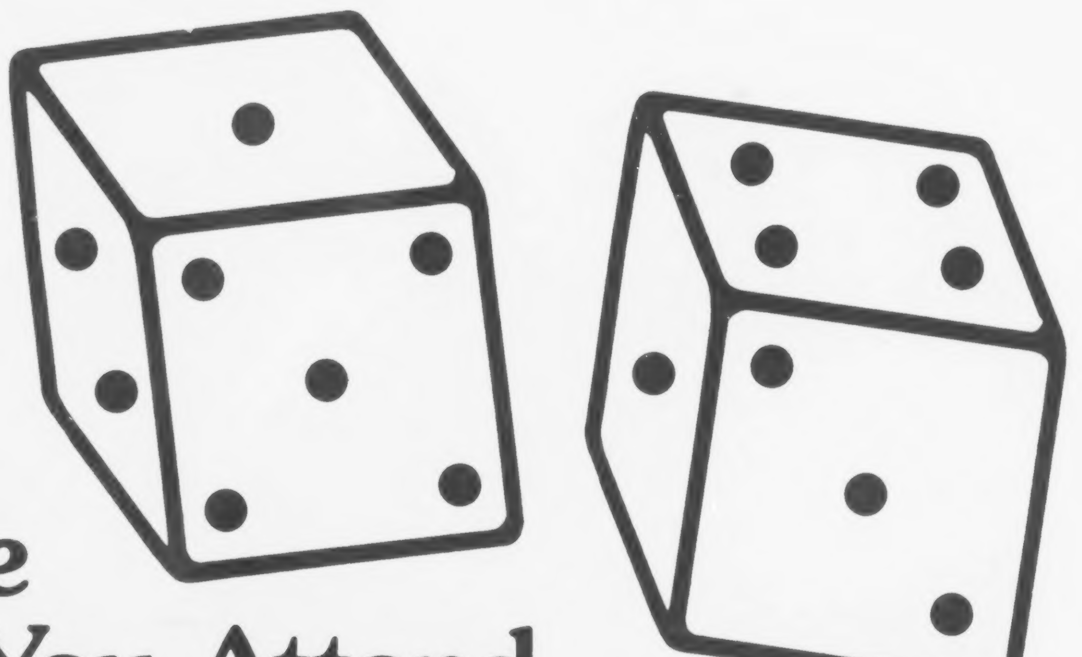
Second Harvest, the national food-bank network, will set up an exhibition booth at the NAWGA convention to ask food wholesalers to help feed those whose Government assistance has been cut back or discontinued.

Last year, Second Harvest delivered 46 million lb. of food, worth an estimated $69 million, at a cost of $1 for every $71 of food distributed, according to Bob Ewing of the Maryland Food Bank.

"The larger manufacturers are starting to realize that we're a part of the ongoing situation, we're not just an occasion for a one-time donation. Hunger and waste will always be with us, so they're starting to incorporate us into their inventory process," said Ewing.

More than 125 major food manufacturers have already donated unsalable items ranging from margarine salvaged from an overturned delivery truck to fresh sandwich bread liable to go stale during a teachers' strike to 63 food banks throughout the nation. The donor food bank delivers the goods to a food-bank warehouse, containing walk-in refrigerated and freezer units. From there, the food bank ships the food to daycare centers, emergency food-box programs, halfway houses, homes for the elderly, shelters for battered women and soup kitchens.

But more is still needed. "We need more dairy, more fresh fruits and vegetables. We're anxious to improve our variety, and the food wholesalers certainly carry a variety of products," said Ewing.



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U.S. food-service sales triple between '72-'82

WASHINGTON—With the fast-food segment setting the pace, dollar sales by the nation's eating and drinking places nearly tripled from $36.2 billion to $107.4 billion during the 10-year span from 1972 to 1982, a freshly released analysis of food-service industry performance indicates.

Last year eating and drinking establishments posted another double-digit increase, with sales rising 10% to $118 billion in "current dollars," according to the latest Commerce Department estimates.

For 1984, the department's industry analysts are forecasting a similar 10% gain with total dollar receipts climbing more than $11 billion to a record $129.9 billion.

The new Government food-service sales projections cover domestic establishments selling prepared foods and drinks for consumption both on and off premises. They do not, however, include restaurants, lunch counters and drinking places "operated as a subordinate service facility by other establishments" such as hotels or retail stores.

Although the 1983 figures released by the Commerce Department last month are still "estimates," Government food-service market analysts said when the final results are in, fast-food operators "will show the largest growth in 1983, with about a 14% increase."

In describing the growth rate of eating and drinking establishments as "impressive," the department released new figures showing industry dollar sales climbed 197% during the decade from 1972 to 1982.

Significantly, the new Government report suggests restaurant operators achieved this growth at least in part because they were able to adapt successfully to changing economic conditions over the past four years.

"During the 1980-83 period, the industry experienced marked structural changes as high interest rates and high construction costs prompted managements to build smaller-sized units," Commerce Department food-service analyst Marvin Margulies noted.

"This decision also resulted in the construction of stores at a lower cost and in a shorter period of time," he added.

As an indication of the magnitude of this change, Margulies cited Government figures indicating that the number of franchised restaurants increased from 32,584 to 59,959 units between 1970-80—an average annual store-count gain of 2,738.

"In 1980, however, the gain was only 1,023 units," he disclosed.

The Government analysis of eating and drinking places—part of the Commerce Department's newly released *1984 Industrial Outlook* study—also cites a number of restaurant industry trends which contributed to the rapid growth of eating and drinking establishments in recent years.

"The concept of providing entertainment along with a moderately priced meal has been successfully bridged in the pizza sector of the industry," the Federal industry researchers noted.

"Amusements" such as animated cartoons, video games and robots "combined with the sale of pizza has sometimes doubled sales compared with the pizza-only operation," the report said. "Coin-activated video games have been a lucrative source of revenue and profits and in one company contributed 25% of revenue and almost 50% of profits." Of course, this segment currently appears in trouble.

The new Government food-service analysis also noted the trend among major "fast-food retailers" to seek market share increases through diversification.

"Burger King, in a move to establish itself in retail stores, will replace at least 50 Woolworth lunch counters with Burger King food units during the 1983-88 period," researchers said. "The food units will be operated by Woolworth, which will pay Burger King a franchise fee, royalties, and a percentage of sales for advertising purposes."

At the same time, the report cautioned that fast feeders as well as other traditional restaurant industry segments are facing increased competition "from rivals located in supermarkets."

Citing industrywide figures reported by *Nation's Restaurant News*, the department noted that "6% of the nation's supermarkets had on-site restaurants in 1981 compared with only 2% in 1978."

According to the analysts, "supermarkets compete with the restaurant industry across a broad area including fast food, doughnut shops, coffee shops, and rib and chicken units."

Seating capacity in these supermarket-based eating facilities ranges from 20 to 80 seats and "can be altered to accommodate peak traffic flows," they added.

"In addition to on-site food service, almost half of the nation's supermarkets offer take-out food service, with sales in 1981 estimated at $7.1 billion," the report concluded. "Take-out food is viewed by management as a traffic builder and a profit center."

Despite these growing competitive pressures from outside of the food-service industry, the new Commerce Department report is bullish on the prospects for restaurant growth.

"Franchising is perhaps the only form of business organization which, by its very nature, tends to create new business units," the Federal analysts said. "It helps small businesses to compete with the giants, since franchisees have a good chance to survive using the franchisor's know-how and trademark or servicemark."

Noting that overall sales of franchised goods and services rose 11% last year, the study added that franchising "also offers unique opportunities to people with limited capital and experience."

U.S. FOOD-SERVICE GROWTH: 1972-84

Eating and Drinking Places	1972	1977	1979	1981	1982[1]	1983[2]	1984[2]	% Change 1983-84
Sales (In Millions)	$36,180	$63,276	$82,270	$98,585	$107,357	$118,093	$129,902	10.0
Total Employment (000)	2,860	3,949	4,513	4,750	4,820	4,892	4,965	1.5
Average Hourly Earnings	$2.07	$2.93	$3.45	$3.95	$4.09			

[1] Estimate.
[2] Forecast.

Sources: Bureau of the Census, Bureau of Labor Statistics, Bureau of Industrial Economics, U.S. Commerce Department *1984 Industrial Outlook*.

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FOOD SERVICE'S SECOND TIER CHALLENGES INDUSTRY GIANTS

By Charles Bernstein

Regional "second-tier" chains with local marketing and merchandising expertise and major ambition are giving the big guys all sorts of headaches. But as these regionals spread their wings, they are developing some of the same overexpansion and control problems as the big guys they seek to undercut.

Regionals are succeeding to the degree that they retain their entrepreneurial instincts and entrepreneurial leadership, that they find a specific individual market niche and avoid becoming "me-too" operations; that they keep devising fresh new menu items to steadily whet customer's appetites.

To a large extent, the regionals—both those with desires to become national chains and those seeking to dominate just their own geographic area—hinge on the business personality of one entrepreneur who continues to be the driving force. In most cases, he has resisted acquisition enticements dangled by large corporations and suggestions from advisers that "new professional management" be brought onto the scene. He is smart enough to know that the entrepreneurial flair must be retained no matter what the framework.

These operators also merchandise with flair and offer a true price-value relationship.

One of the more unique second-tier chains is owned by Dr. Peter Buck's Doctors Associates in Milford, Conn., and run by general manager Fred DeLuca. Both Buck and DeLuca are fanatics for the hugest possible sandwiches, and it's all resulted in a creative chain of some 325 units featuring 17 varieties of foot-long sandwiches.

As it happens, the BMT (biggest, meanest, tastiest) cold cut combination sandwich and a roast beef sandwich, each selling for $3.59, are the biggest sellers. These and other sandwiches thrive in tiny low-investment units that require only one employee to operate.

Harold Butler has rolled out a steady diet of new-fangled items at his Naugles Mexican fast-food chain in Fullerton, Calif. Avoiding the trap of depending on a straight offering of regular tacos, burritos and the like, he also features hamburgers and has rolled out boneless chicken meat, an overstuffed Macho Burrito and a large-sized Macho Taco. He now is testing a soft-shell taco.

'Regionals are succeeding to the degree that they retain their entrepreneurial instincts and leadership, that they find a specific individual market niche and avoid becoming "me-too" operations, that they keep devising fresh new menu items to steadily whet customers' appetites.'

But Butler too has fallen victim to the overexpansion syndrome, and with 215 units has had to curb visions of 100 new ones annually. He may have to sell some units in Chicago and other areas where he has gone too far afield.

He also is dabbling in tests of deli and "healthy food" concepts. These types of diversification for second-tier chains can either be interpreted as dangerous sidelights taking attention away from the main game, as strategic positioning to attract a broader consumer base, or as just "a hobby."

Hollis Taylor's Pancho's Mexican Buffet chain out of Fort Worth, Tex., is a diversified group with a three-pronged effort. But its some 30 Mexican Buffet restaurants are taking precedence in the plans. Taylor seems to be holding the line on his three Spanish seafood restaurants and two Emiliano's dinnerhouses.

One of the more interesting newcomers is San Antonio-based Fuddruckers. Phil Romano, a veteran of tablecloth restaurants, has fashioned an unusual combination of "upscale" fresh ½-lb. burgers selling in the $4 range and such eye pleasers as a glass-enclosed butcher shop and open bakery. He has a well-tuned service system with orders filled by the numbers within seven minutes.

Crucial to Romano's emergence as a second-tier power is his college scholarship program designed to aid and encourage his best employees while they are working as managers or at other roles. He appears to be building a cadre of loyal, career-minded employees to staff his current 14 company-owned and four franchised units and the many more he envisions.

G. D. Ritzy's in Columbus, Ohio, is finding its own niche with fresh-grilled burgers, Coney hotdogs and chili and "gourmet" ice cream in an old-time malt shop environment. As a "gimmick" to attract attention, it also offers a peanut butter-and-jelly sandwich with sliced fresh strawberries.

Still, Ritzy's, founder and chairman Graydon Webb, a Wendy's executive in the 1970's, faces a tough struggle as the 70-unit chain tries to battle into the clear black after suffering losses while establishing its market niche.

Two major second-tier foodservice management companies emphasizing the advantages of local nonbureaucratic clout are Jack Galione's Corporate Food Services in New York City and Steve Elmont's Creative Gourmet in Boston. Galione even has his own president's hot-line phone to directly answer clients' comments and complaints, while Elmont also likes to be on the scene personally anywhere in New England to solve problems that may arise.

A second-tier hotel chain bidding to eventually move into the top rank of hotel chains in volume is the fledgling Ritz-Carlton Hotels group under owner Sid Johnson and president Colgate Holmes in Atlanta. The new group switched its projected hotel names from Monarch to the more visible Ritz-Carlton banner when they bought the rights to use the name. Now they have three company-owned and three licensed hotels.

Nashville-based Po Folks has carved out its own niche with over 100 country-style restaurants and a strategy which president Clyde Culp describes as "opening units quickly in as many markets as possible to gain quick national penetration and recognition."

This is the same dilemma faced by other second-tier chains such as Fuddruckers: The pressing need to roll out units quickly and become recognized as the prototype of a particular category so that others who copy it won't be able to gain much headway, balanced with the need for an evenly paced franchising program that doesn't overextend itself or lose control.

Menu expansion and innovation pose a special challenge to second-tier chains. Jack Massey's Nashville-based Mrs. Winner's Chicken and Biscuits has unveiled a stuffed baked potato with a choice of five toppings that makes it hard to tell whether Wendy's was first with the idea or whether both thought of it at the same time. Frank Galgano's Bobby Rubino's Place for Ribs out of Fort Lauderdale is adding such items as chicken cordon bleu, chicken parmigiana, sirloin steak and rainbow trout.

For volume reprints of this special section, contact Ilene Stargot, Nation's Restaurant News *425 Park Ave., New York, N.Y. 10022. Phone: 212-371-9400.*

French conglomerate fuels California concept

SEAFOOD BROILER

LAKEWOOD, Calif.—If growth in the restaurant industry is predicated on quality, competence, capital and opportunity, then it might be said that the merger of French hospitality conglomerate Novotel and California's popular Seafood Broiler family dinnerhouse chain has "growth" written all over it.

When entrepreneurial founders Stephen Stiefel and Del Allen and their partners sold out to Novotel 13 months ago, all parties to the deal found their growth prospects decidedly bolstered. Stiefel, Allen and the others grew personally via nice capital gains, while keeping lucrative positions with the company in recognition of their skills at having developed the 11-unit, $25 million-a-year chain.

'Obviously, to be in a fairly rapid stage of growth implies that you will have to trade off that growth against immediate profits.'

—Alain Dupuis
President

And Novotel, now renamed Accor, made its entry into the United States market with a red-hot concept it projected would quadruple its sales within four years. Moreover, the $1 billion-plus-a-year Accor outfit had the resources to back up its stateside aspirations.

Seafood Broiler, with Alain Dupuis installed by the new owner as president, has added four new units to the chain in the last year. At least six more are due to come on line this year, followed by eight in 1985, and nine more the following year. Dupuis has projected that chainwide sales will reach $85 million by the end of 1986.

The popularity in southern California of Seafood Broiler's extensive and modestly priced menu of fresh fish is the biggest factor fueling Dupuis's projections. The company's marketing studies show customers are patronizing Seafood Broiler units between two and three times a month.

By tracking customer counts, and sales less-menu-price increases, the company has been measuring real growth in excess of 5%. Profits are not freely disclosed by management, but pretax margins are said to be somewhere between 5% and 10%.

Net profits will likely be diminished somewhat by the company's expansion mode. "Obviously, to be in a fairly rapid stage of growth implies that you will have to trade off that growth against immediate profits," says Dupuis.

The apparently growing acceptance and preference for mesquite-broiled seafood is not expected to diminish as the chain branches out. Internally generated cash and build-to-suit financing has propelled physical expansion objectives. A single group of investors is buying all the land and all the buildings Seafood Broiler develops, then leasing the restaurants back to the company.

In 1986 or 1987, Dupuis says, Seafood Broiler might ask Accor for the green light to go public, a move which would provide even more fuel for growth, while at the same time giving more value to a stock option bonus plan for employees.

With the chain expected to double in size over the next few years, increased emphasis—and a greater cash investment—is being made toward human resources development. The company is definitely inclined toward internal development of management talent, Dupuis says, but has stepped up its hirings of management trainees with a higher degree of experience.

A unit manager must come up through the company's own ranks during at least part of his preparation for a management spot. "Our product [a wide variety of fresh seafood] is so complicated and technical that we never go outside to hire a manager," Dupuis says. For this same reason, Seafood Broiler will probably never franchise its concept, he adds.

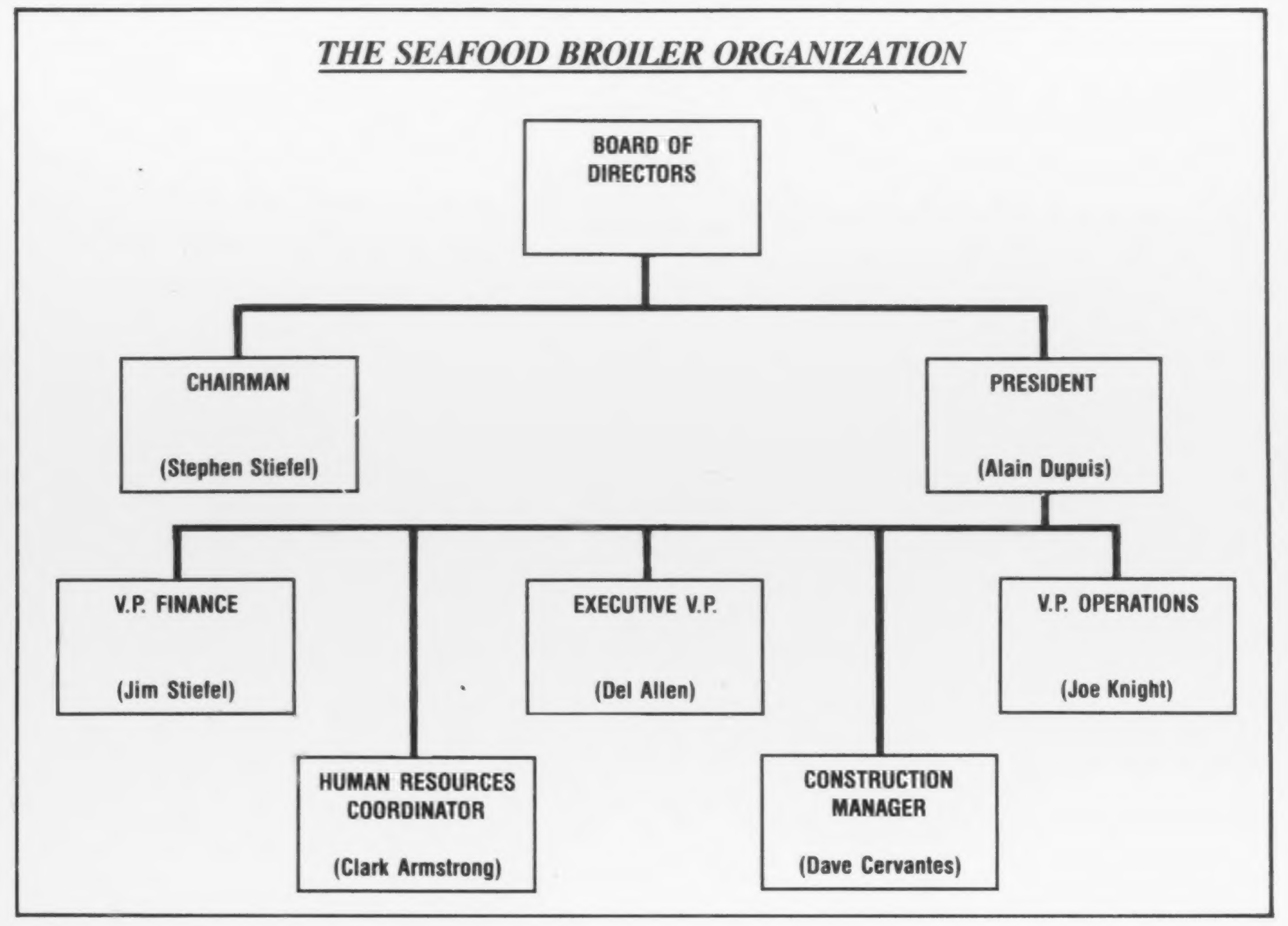
In looking at the competition in southern California the company sees encouraging signs. "Our competition just can't hang in with us," says one source close to the company. Seafood Broiler recently bought and converted a unit of Monterey Bay Canners restaurants, a local seafood chain subsidiary of Jolly Roger's Trans/Pacific company. And Los Angeles-based Hungry Tiger restaurants is reportedly mulling stepped-up conversions of at least some of its namesake white tablecloth seafood dinnerhouses to its downscale Breakers concept.

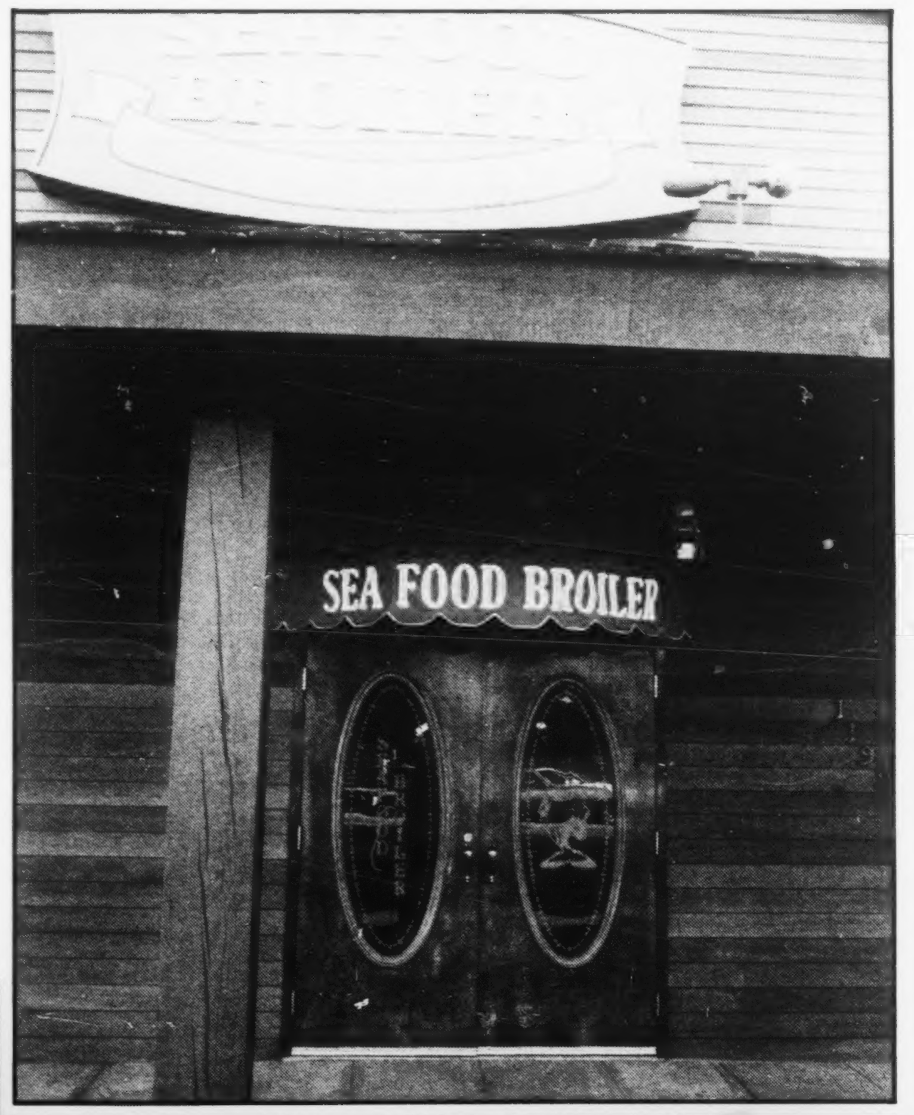
Pricing strategy is "one of our main concerns," says Dupuis. High turnover of customers is a must, given the company's need for volume to compensate for food costs verging on 50% of sales. With its reputation built on fresh fish, the distinctive flavor of mesquite-wood broiling, and value pricing (an average check per person is under $8) the company must continually seek the best sources and the best prices for the widest variety of seafood

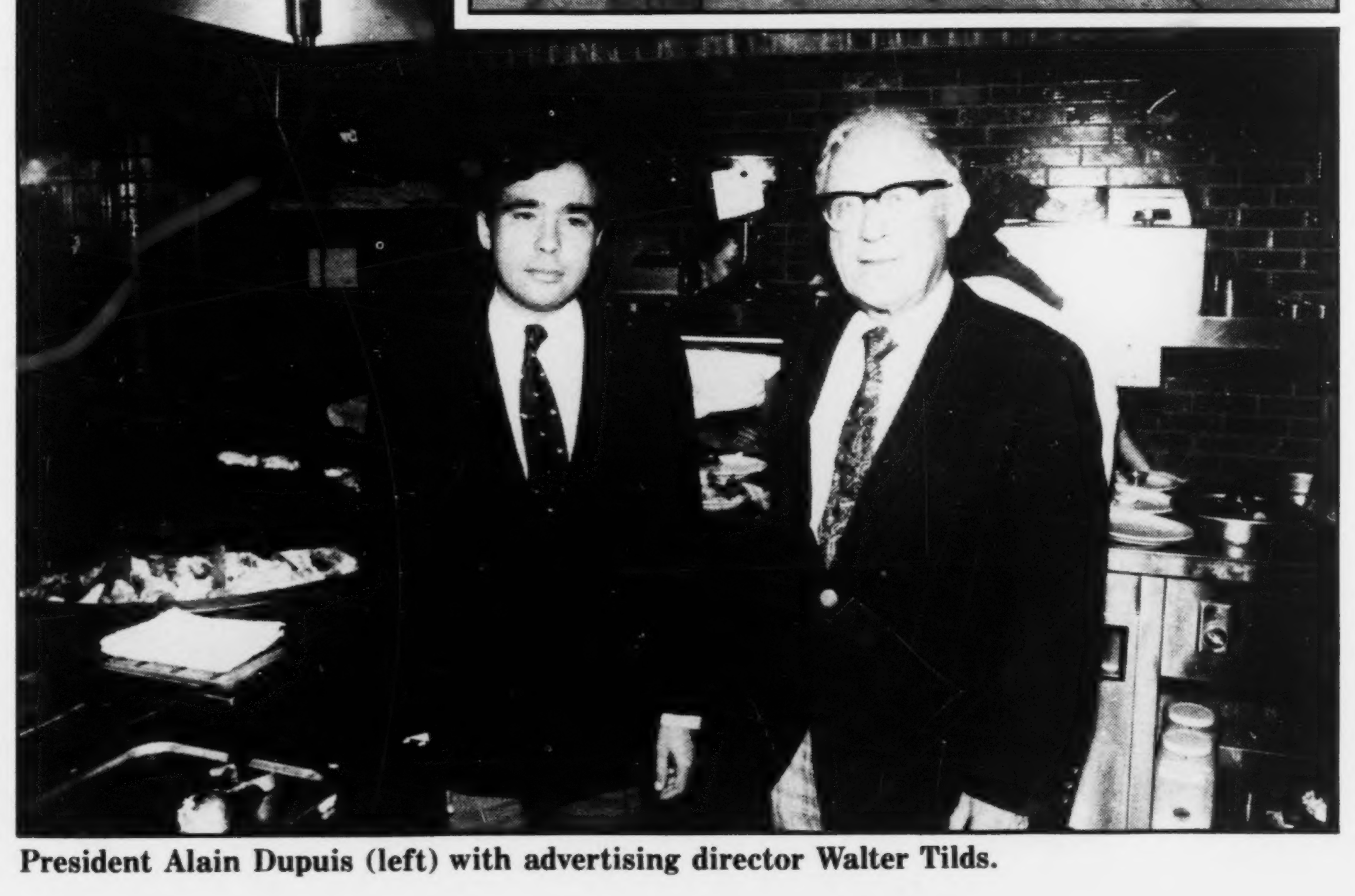
Seafood Broiler deals with a single seafood supplier, and has negotiated a "preferential agreement with respect to quality, delivery and price," Dupuis says. The chain only deals with other purveyors if availability of sufficient variety becomes a problem. Executive vice president Del Allen is in charge of negotiating all food purchases; the involvement of unit managers is limited to determination of quantities only.

As the chain expands, possibly into Arizona next year, it expects to have its primary supplier follow. A move to a commissary system for food supply is unlikely.

THE SEAFOOD BROILER ORGANIZATION


BOARD OF DIRECTORS
CHAIRMAN (Stephen Stiefel)
PRESIDENT (Alain Dupuis)
V.P. FINANCE (Jim Stiefel)
EXECUTIVE V.P. (Del Allen)
V.P. OPERATIONS (Joe Knight)
HUMAN RESOURCES COORDINATOR (Clark Armstrong)
CONSTRUCTION MANAGER (Dave Cervantes)





President Alain Dupuis (left) with advertising director Walter Tilds.

SEAFOOD BROILER

(Fiscal Year Ended Dec. 31)

	1981	1982	1983	1984*
Systemwide Sales (In Millions)	$24	$25	$30	$42
Average Same Store Sales (In Millions)	$2.4	$2.3	$2.0	$2.1
Average Per Person Check	$6.95	$7.50	$7.90	
Number of Units	10	11	13	20
% Menu Price Increase		8.0%	5.3%	

Source: *NRN* research

**NRN* Estimate

'Texas-sized' burger spearheading expansion drive

FUDDRUCKER'S

By Joe Edwards

SAN ANTONIO—With proceeds from a recent stock sale ready to fuel expansion, a franchising program and headquarters staff in place and a solid operations record showing consistently high unit volumes and strong unit-level profit margins, Fuddruckers is an odds-on favorite to maintain a leadership role in the emerging upscale burger segment it helped define.

Founded four years by Philip J. Romano, a seasoned veteran of numerous tablecloth restaurants in the South, Fuddruckers this year will begin to serve its Texas-sized version of what Romano immodestly calls "the world's greatest hamburger" outside its home state.

Romano's original intention was to prove that consumers would be willing to spend a lot of money (about $4) for a giant-sized, freshly ground, cooked-to-order burger served on a freshly baked and toasted sesame seed bun.

So far, Fuddruckers has not met with any price resistance even though it charges much more for a basic hamburger than its direct competitors (Chili's, Spoons and other chains) and does not have table service. Sales and customer counts at the two original units were up nicely in 1983, Romano reports.

Romano's formula for the fledgling chain, which has grown to 14 company-owned and four franchised units (with many more planned), is deceptively simple: Top quality fresh food, strong perceived value, a funky high-tech-collides-with-corner-grocery-store decor and theatrical gimmicks such as a glass-enclosed butcher shop and bakery in full view of diners.

Fuddruckers' ambience is a textbook example of today's casual dining trends and its menu and decor are suited for every chain's favorite target consumer—upwardly mobile young adults trading up from traditional fast food.

All the gimmicks and trendy decor touches wouldn't matter one bit, however, without a quality hamburger. Fuddruckers' burger is a monster 8-oz. patty that is ground daily on the premises from fresh beef and cooked on black iron grills.

Burgers are served on paper-lined beer trays and can be gussied up at an attractive toppings bar stocked with lettuce, tomatoes, onions, pickles, melted cheeses, cheddar cheese with jalapeno peppers, sauerkraut and other items. Grilled onions cost an extra 15¢.

Fuddruckers' signature item is not just another burger. It has seduced customers and food critics throughout Texas who rave about its size and flavor. *Houston City Magazine*, in a fit of plebian fervor, declared a local Fuddruckers the second best restaurant in Houston, undoubtedly raising eyebrows of local gourmands and restaurateurs.

In putting together his concept, Romano was a few years ahead of today's demographic analysts in figuring that traditional fast-food chains were not responding to a changing market. That is, he decided, fast food's core customers were growing older and more sophisticated and were searching for restaurants with better burgers and a nicer atmosphere.

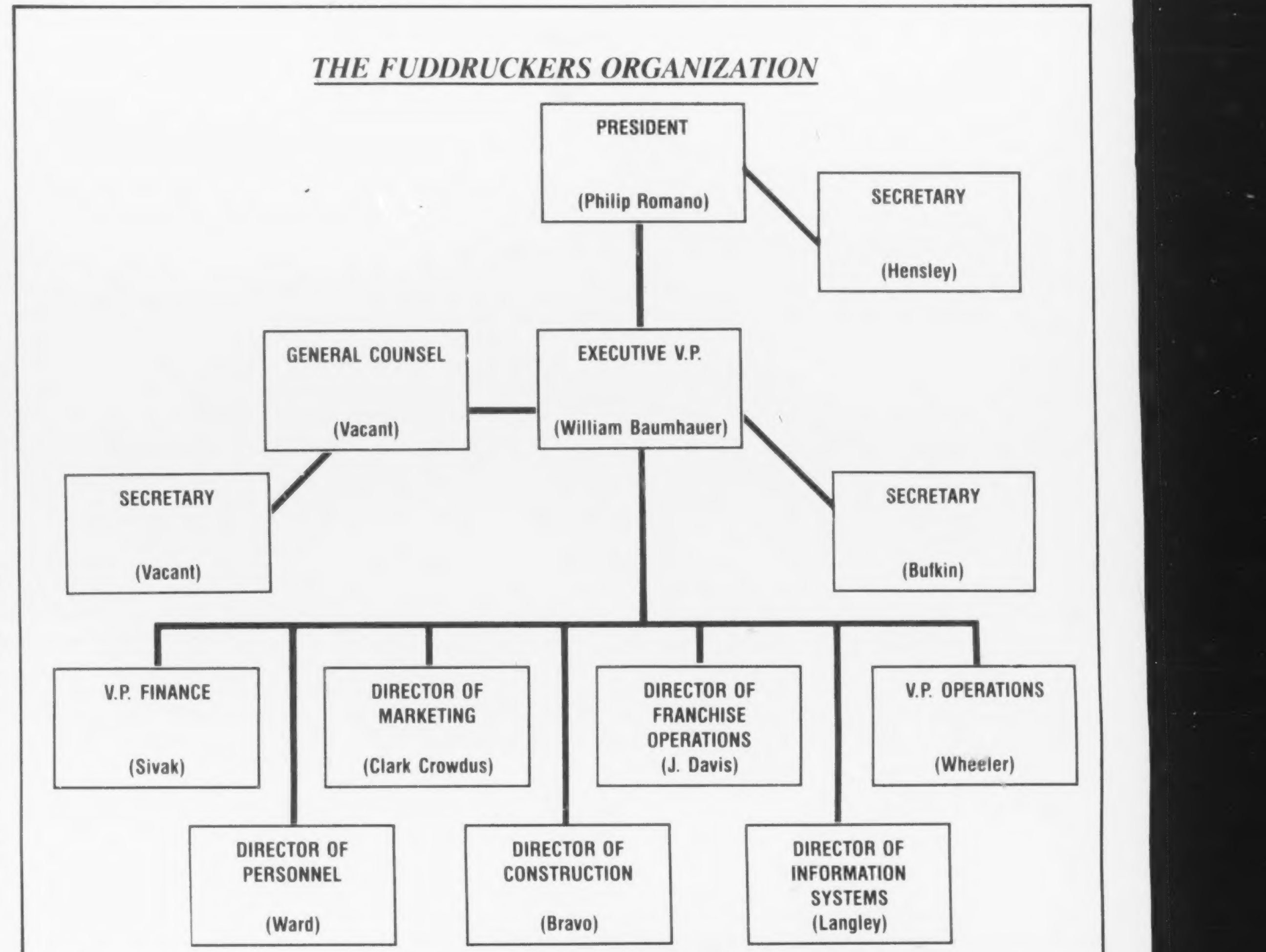
When chains such as McDonald's and Burger King raised menu prices in the late 1970's without upgrading their products, they opened the door for the new wave "adult fast-food chains," Romano says.

"McDonald's had a choice to make six years ago," he declares. "They could raise their prices and improve the quality of their burgers, or they could just raise their prices. That's what they did and all of a sudden they lost their price-value relationship."

That's when Romano made his move in San Antonio. In planning his first unit, which opened in March 1980, he decided to charge $3.55 for an 8-oz. hamburger. "People told me I couldn't get that for a hamburger, not in this city," he recalls. "But my premise was that I wanted to charge what I had to charge for a great burger. We give people value for the price they're paying."

Burgers account for 80% of total unit sales, which range from $1.5 million to more than $3 million with the average coming in just under $2 million. Other menu items include a ribeye steak sandwich, a hotdog, skin-on french fries, baked pinto beans and beer, wine and mixed drinks. There are also large chocolate chip and oatmeal cookies and chocolate brownies baked daily on the premises.

THE FUDDRUCKERS ORGANIZATION


PRESIDENT (Philip Romano)
SECRETARY (Hensley)
GENERAL COUNSEL (Vacant)
EXECUTIVE V.P. (William Baumhauer)
SECRETARY (Vacant)
SECRETARY (Bufkin)
V.P. FINANCE (Sivak)
DIRECTOR OF MARKETING (Clark Crowdus)
DIRECTOR OF FRANCHISE OPERATIONS (J. Davis)
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DIRECTOR OF CONSTRUCTION (Bravo)
DIRECTOR OF INFORMATION SYSTEMS (Langley)

Beer, wine and liquor account for about 12% of sales, and baked goods, sold mostly for takeout, account for about 5% of sales. Burger prices are $3.55 in San Antonio and $3.85 at most other units. In southern California, where Fuddruckers opens its first unit this month, burgers will probably sell for $4.15. Average per-person checks are $5.35.

Romano says he has no intention of expanding the menu in the foreseeable future. "We're in the burger business and we're not going to deviate from

(Continued on page 119)

FUDDRUCKERS

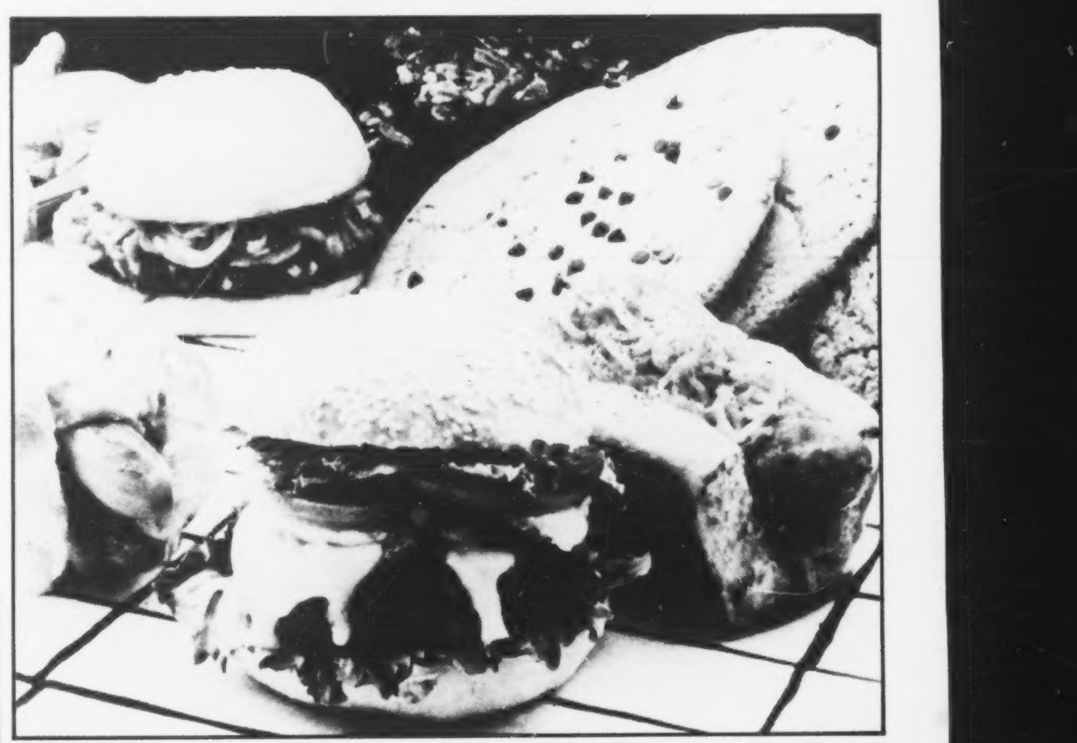
(Fiscal Year Ended Dec. 31)

	1980	1981	1982	Six Months Ended June 30 1982	Six Months Ended June 30 1983
Revenues	$321,000	$1.1M	$3.9M	$1.7M	$3.0M
Net Profit (Loss)	($54,000)	$59,000	$195,000	$132,000	$76,000
Number of Units†	1	1	2	1	2
Average Per Person Check*	$5.00	$5.00	$5.35	$5.35	$5.35

Source: Company prospectus; *NRN* Research

*Fuddruckers menu prices have remained basically the same since the first unit opened in March 1980 in San Antonio. An 8-oz. hamburger there sells for $3.55, the same price charged when the unit opened. Burger prices elsewhere are $3.85.

†Fuddruckers now operates 14 company-owned and three franchised units in San Antonio, Houston and Austin, Tex., and one franchised unit in Baton Rouge, La. A unit in Costa Mesa, Calif., opens this month. Average unit sales are about $2 million.



TEQUILA BAR

Lounge areas at Fuddruckers units have "patio motifs," while some units even include outdoor dining areas. Menu items (inset) include Fuddrucker's 8-oz. hamburger, hotdogs and large chocolate chip and oatmeal cookies.

FOCUS NRN

SECOND-TIER CHAINS

Fresh bread attracting fresh sales as chain targets 30% growth rate

SUBWAY

By David Zuckerman

MILFORD, Conn.—With a fresh-baked bread rollout in progress and a menu based on 17 varieties of foot-long sandwiches, the 326-unit Subway sandwich chain is charging ahead on a rapid expansion course, adding an average of 30%-35% new units annually.

Though average store sales are low, about $160,00 per year, the privately held company has attracted a network of loyal franchisees drawn primarily by the concept's ease of operation, low start-up costs and the chance to participate in the company's growth. Only 13 of the restaurants are company owned.

Typically, the units are small enough to be operated by a single employee. Rather than building from scratch, the company prefers to occupy existing sites in strip centers, shopping malls and storefronts. Franchisees do much of the legwork in the field and can earn extra money by becoming development agents for the parent company. Of the 128 franchises sold in 1983, 75 went to existing franchisees.

Subway's menu consists of 17 varieties of foot-long sandwiches ranging in price from the Vegetarian at $1.99 to the Seafood and Crab Combination at $4.79. The sandwiches fall into five categories: cold cut combinations; single meat sandwiches; fish sandwiches; hot sauce sandwiches, and meatless sandwiches. The average ticket for a sandwich and a drink is about $3.20.

"Subway is in direct competition with the fast-food hamburger chains," said Frederick Deluca, vice president, general manager and part-owner of Subway. "In most markets our foot-long sandwiches are very unique, especially with the combinations of vegetables we offer."

All Subway sandwiches are accompanied by a choice of lettuce, tomato, onions, pickles, green peppers and black olives.

The most popular menu offerings are the BMT (biggest, meatiest, tastiest), a cold cut combination sandwich that sells for $3.59 and a roast beef sandwich, also $3.59.

SUBWAY FAMOUS FOOT-LONG SANDWICHES

(Fiscal Year Ended Dec. 31)

	1982	1983	1984*
Systemwide Sales (In Millions)	$34.0	$45.0	$60.0
Net Profit	$497,000	$1.1M	$1.8M
Average Same Store Sales	$156,000	$160,000	$180,000
Average Per Person Check	$3.15	$3.15	$3.20
Number of Units	180	265	365
% Menu Price Increase	$6.0%	2.0%	

Source: *NRN* Research

*Projected

In addition, all 17 sandwiches can be ordered as salads without the bread. Half sandwiches and double meat sandwiches are also offered.

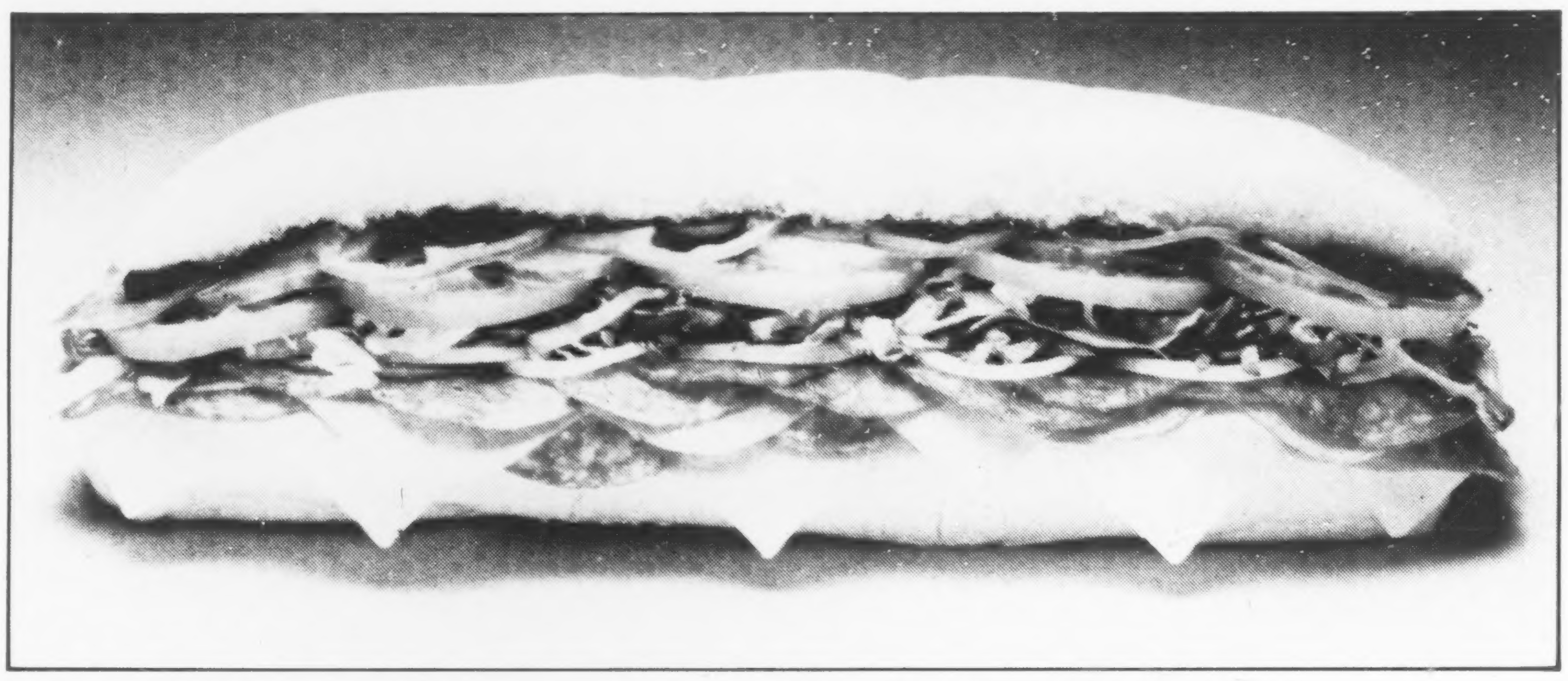
The result of this mix, according to Deluca, is a menu that competes favorably with fast-food burger chains in terms of price points while offering a much wider variety to the consumer. And for the chain's mostly male, 18- to 34-year-old target audience, the foot-long sandwiches offer extra value because of their size.

"The full sandwiches are extremely large," said Deluca. "Our portion size is definitely a big attraction."

In an effort to increase product quality and boost customer counts throughout the system, Subway has begun baking its own sandwich rolls in the units. The program, which was tested late last year at the company's home store in Milford, will be installed in 50% of the stores by the end of 1984, Deluca said, and in 80% of the stores by the end of 1985.

"The bread is a direct result of our expansion and research," Deluca said. "We discovered that outside the Northeast it

(Continued on page 120)



Subway's foot-long sandwiches come in 17 varieties priced from $1.99 to $4.79.

'World's Greatest Hamburger' spearheads expansion drive

FUDDRUCKER'S

(Continued from page 117)

it," he declares.

Fuddruckers units are decorated inside with brick and white and black tiles, neon beer signs and the shipping crates and containers for the food they sell. A separate lounge area has a "patio motif" and some units have an outdoor dining area.

The toppings bar has trays of sliced tomatoes, pickles, onions and other items, and fresh vegetables on display in their shipping boxes and bags. The butcher shop and bakery are part of the overall design scheme. Bakery products are attractively displayed in a glass case and butchers work behind a glass window amidst hanging sides of beef.

Chairs are made of heavy wood and tables are topped with brown and white checked tablecloths. Each table has a bottle of ketchup, a bottle of hot sauce and large containers of salt and pepper.

Baking and butchering is done throughout the day and leftovers are donated to local childrens' homes and other charities.

Romano says he believes that the bakery and butcher shop not only impress customers but also help the chain insure quality.

If it bought its own buns and ready-made burgers, Fuddruckers would be "only as good as the best butcher shops and bakeries in town," Romano says. "But this way, we're a self-contained multiple restaurant concept. All we do is buy raw products and the consumers love it. That's the charisma of Fuddruckers. Everything is fresh. People love to see everything being made right there in front of them."

Without much effort from headquarters—"We don't even have a franchising brochure," Romano declares—Fuddruckers has sold franchising rights to all the territories it is interested in and has halted further franchising for now. The 18 existing units are in San Antonio, Austin and Houston, Tex., and Baton Rouge, La. Next stops are Chicago, Los Angeles, San Diego, Dallas and "middle markets" in Texas.

By the end of this year, there will be 65 to 85 units, split evently between company-owned and franchised operations, and projections call for between 100 and 125 company-owned and 325 and 350 franchised units within five years.

Expansion will be financed with the approximately $6 million raised in last fall's initial public offering (Romano has voting control of 51% of the stock and the company controls 83%), and with joint ventures, sale-leasebacks and conventional borrowing, Romano says.

Four new restaurants in the Houston area are being financed through a joint venture with an initial cash investment by Fuddruckers of about $75,000 per unit.

The cost to Fuddruckers for three other restaurants under construction in Texas and California and leased to the company by a third party is between $500,000 and $750,000. Initial cash investment excluding construction financing will range from $125,000 to $250,000 per unit dependent upon tenant allowances under the leases, fixtures and equipment provided by the lessors and third-party equipment and fixtures financing.

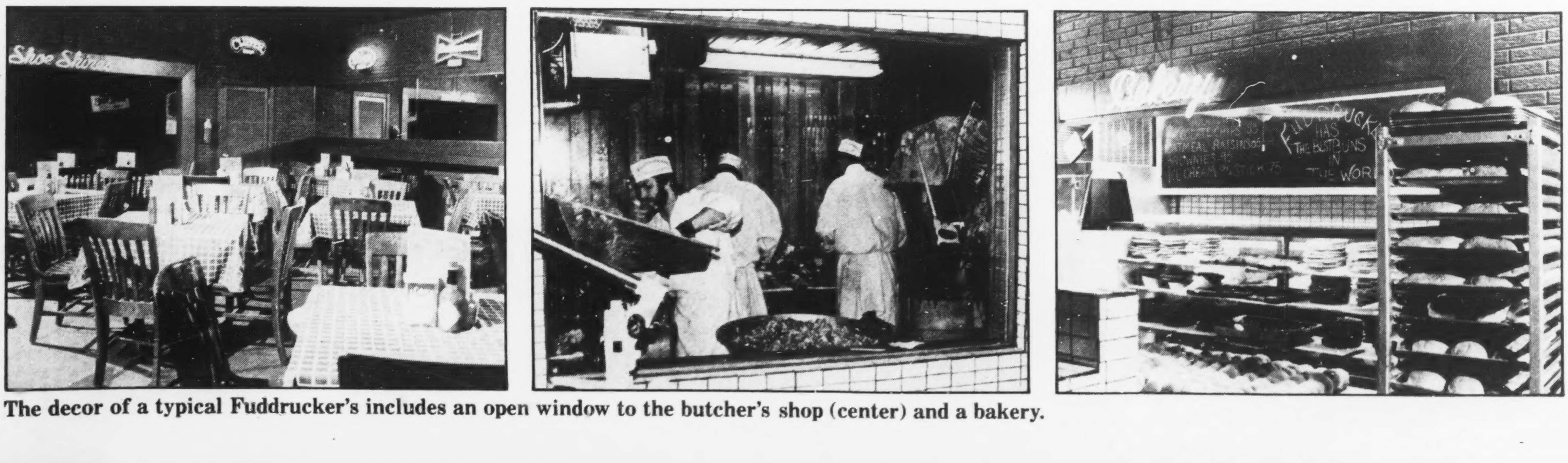
Fuddruckers units range in size from 5,300 to 9,400 sq. ft. and seat between 200 and 300 persons. Fuddruckers has developed a site selection model and has hired an outside advertising and marketing firm to develop ad campaigns and conduct market research.

Each restaurant is staffed by three managers and about 40-45 hourly employees, most of whom are college students. General managers earn about $26,000 per year and have a shot at a $10,000 annual bonus. Hourly workers are eligible for partial college scholarships (Fuddruckers will pay for tuition and books) if they agree to work 20 hours a week while attending school and maintain a certain level when graded by their unit managers.

At headquarters, Fuddruckers has a management team in place to handle the expected explosive growth period ahead. Headquarters staff can take part in a stock option plan that was put together after the initial public stock offering.

"We put a lot of emphasis on our employees," Romano says. "We're a young company and we're upwardly mobile. People see the light and want to work with us. They can make a lot of money in operations at Fuddruckers."

Year-to-year sales and profits comparisons are difficult because there were only two restaurants at the end of 1982 compared to 18 today. The company reported net profits of $76,000 on revenues of $3.1 million in the first six months of last year. Unit-level profit margins are about 27%; food and labor costs are 47% of sales.



The decor of a typical Fuddrucker's includes an open window to the butcher's shop (center) and a bakery.

SECOND-TIER CHAINS

Subway targets 30%-35% annual expansion pace

SUBWAY

(Continued from page 119)

was difficult to get the good quality bread that we prefer. So we developed a system to bake our own bread in the units."

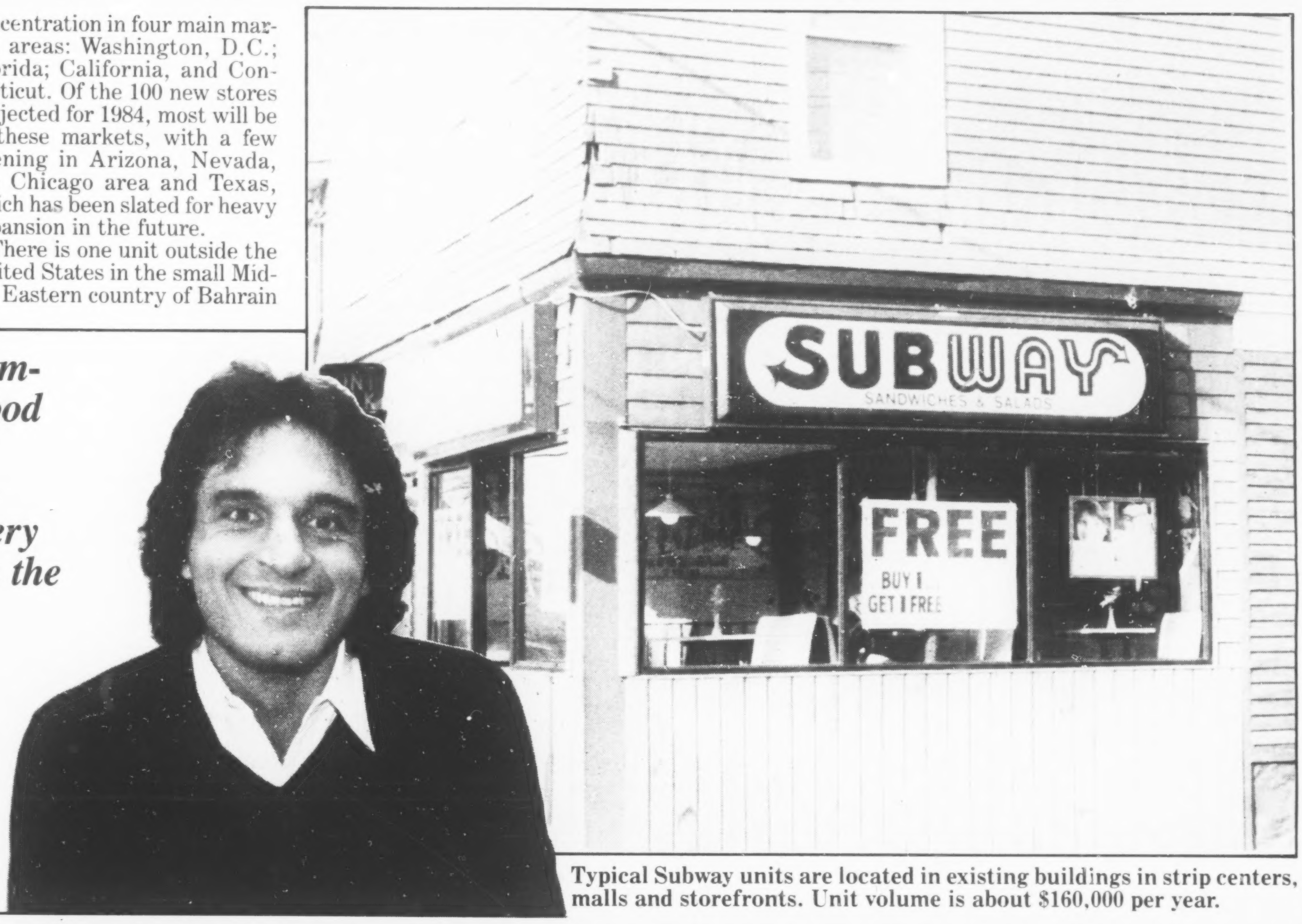
Like most of Subway's on-site equipment, the cost of the baking ovens will be minimal to store owners. At existing units, the conversion to on-site baking will cost under $5,000 including electrical work and a slight redesign of counter space. At new stores, bread-oven installations will run about $3,500.

Thus far, the fresh-baked sandwich rolls have provided a strong sales stimulus for stores that have installed the ovens, with increases of up to 30%. By the end of 1985, Deluca said, the chain is projecting average store sales of over $200 [illegible] annually.

Subway currently has units in 31 states with the heaviest concentration in four main market areas: Washington, D.C.; Florida; California, and Connecticut. Of the 100 new stores projected for 1984, most will be in these markets, with a few opening in Arizona, Nevada, the Chicago area and Texas, which has been slated for heavy expansion in the future.

There is one unit outside the United States in the small Middle Eastern country of Bahrain and expansion into Western Europe is currently being explored.

> ***'Subway is in direct competition with the fast-food hamburger chains. In most markets our foot-long sandwiches are very unique, especially with the combinations of vegetables we offer.'***
>
> **—Frederick Deluca**
> **vp, general manager**



Typical Subway units are located in existing buildings in strip centers, malls and storefronts. Unit volume is about $160,000 per year.

The key to the chain's expandability, Deluca said, is its cash-rich position and lack of debt. Typically, franchisees finance their own stores with profits funneled back into the company to fuel growth.

"We have very little debt," said Deluca. "In fact, we have about $5 in cash for every $1 in debt. We are in a fantastic cash position."

As for management, Subway prefers to groom its own leaders from the franchisee ranks. The chain's field staff consists entirely of store owners who have been trained at the home office in Milford to oversee a specific geographic area. The top field staffers, called development agents, work directly with new franchisees. Their compensation is based on results in the field.

"Training begins as soon as someone joins the system as a store owner," said Deluca. "We grow them [managers] internally. We try to harness the energies of store owners and field people. In this manner, the management structure continues to expand as the chain expands."

At the home office, Subway is divided into seven departments, with all department heads reporting directly to Deluca. Departments include marketing, advertising, leasing, construction, legal, accounting and operations. Each department operates independently although they work together when necessary.

"I don't really direct the departments," Deluca stressed. "They direct themselves. This system works well in cutting down bureaucracy and most important, things get done."

On the operations side, there are in-office coordinators for each geographic area who work with the field staffers in those areas. Store owners can always reach one or the other and frequent communication is encouraged.

This system allows the home office to constantly appraise the activities of store owners who are permitted to test their own new products. Many franchisees carry a local sandwich of their own choice in addition to the standard menu.

The field staff also oversees distribution, which is conducted on a local level. Franchisees purchase nothing directly from the company. Instead, all purchases are made from local suppliers except for products that are unavailable in specific geographic areas. About 20% of the total product mix must be shipped in from the outside.

"The main difficulty in a new area is to understand the supplier's needs and get them to match ours," Deluca said.

With systemwide sales of $45 million in 1983, Subway's principal concern, according to Deluca, is increased traffic and higher unit sales. While stores have a strong repeat business—"about 90% of our customers are repeats"—the chain is seeking more new customers.

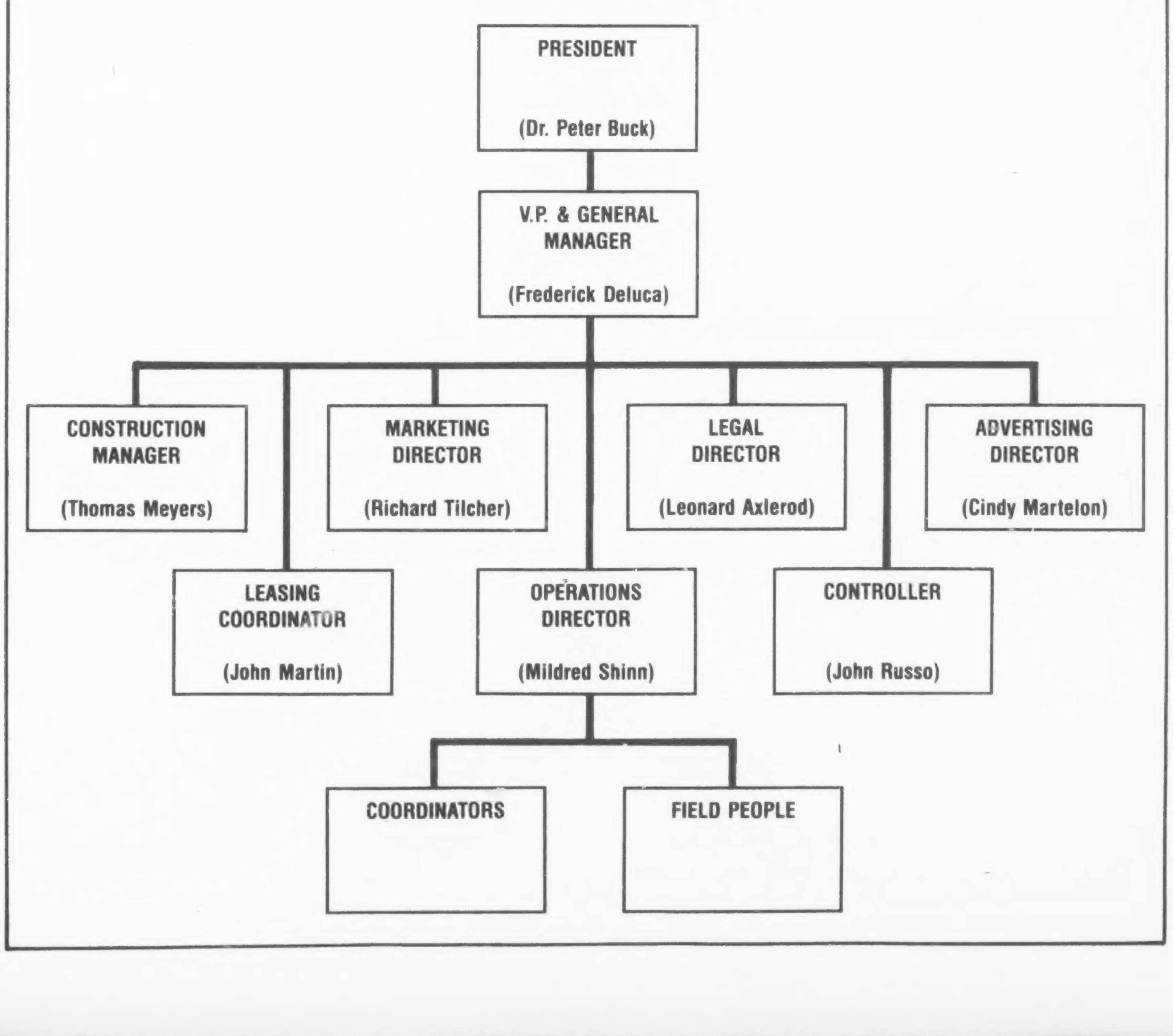
To that end, Subway has increased its advertising on a regional level and introduced a new ad slogan—"No styro food served here"—in an effort to strengthen its position against fast-food hamburgers.

The company has also worked hard to hold the line on prices and to increase product quality by finding new suppliers where necessary.

"Our stores have the capacity to handle more customers than they currently do," said Deluca. "We measure unit sales on a weekly basis and so far in 1984 they've been very strong. For the first five weeks of this year, [per store] sales are up an average of 5% over last year."

> ***'Training begins as soon as someone joins the system as a store owner. We grow [managers] internally. We try to harness the energies of store owners and field people. In this manner, the management structure [expands] as the chain expands.'***

THE SUBWAY ORGANIZATION



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FOCUS NRN

SECOND-TIER CHAINS

Stock market concerns force slower growth rate

NAUGLES

By Rick Martin

FULLERTON, Calif.—The philosophy of growth for the sake of growth is being viewed with increasing skepticism by the top brass of Naugles, Harold Butler's Mexican-American fast-food chain.

Although the company appears to have sufficient resources to continue its aggressive pattern of expansion for some time (it only costs about $300,000 to convert an acquired loser to the Naugles concept), the chain has become top heavy with new stores not yet performing optimally, thus masking the stronger performance of mature units.

Capital requirements are not the stumbling block for increased market penetration, but growing pains associated with Naugles' still-maturing fleet of drive-thrus are tempering some of the company's recent growth forecasts.

President Mike Mooslin points out that slightly more than half of the outlets in the 215-unit chain are under 18 months old, amounting to a considerable handicap for those inclined toward the unit-average yardstick for measuring performance.

Viewed on the basis of maturity, the picture is different. Units open prior to 1979 are yielding an average margin of 23%. But margins decline at newer restaurants. Stores open in '79 average 19%. Those open in '80 and '81 have margins of 17% and those open in '82 produce margins of only 4%. Breakeven generally happens after a full year's operation.

To counter this effect, plans to open 100 units in the next fiscal year are being scaled back to perhaps 60, although 10 to 20 more could be developed if choice sites in California become available. By allowing the chain to catch up with itself and mature, Naugles expects a more impressive pattern of profit gains.

A gradual move into franchising, including territorial deals for New York City, Philadelphia and Minneapolis, will serve to expand the company's national presence and generate revenues, without compounding the profit-masking effect born in its earlier, nonfranchise expansion years.

Besides the move into franchising, management sees another healthy sign in the steadily improving volumes of established stores. On a comparable-store basis, sales were up about 4% from the prior year in each of the last four months of 1983, and up about 8% in January.

Startup costs for new units are reflected in fiscal 1983 first-half results. Through the first half ended Jan. 12, net profit was up only 2% over last year's first 28 weeks, to $1.94 million. Revenue, on the other hand, was up 44% to $63 million from year to year. Revenues include $1.9 million from initial franchise fees; there were no such fees last year.

Although management expects to seek additional expansion financing eventually, once a base of mature units in is place, no immediate need for capital is seen. Naugles sold 660,000 shares of its common stock 15 months ago, and ended fiscal 1983 last June with $7 million in cash equivalents on hand.

Completion of the private placement of $8 million in mortgage notes for real estate financing has been this year's undertaking. For the first time, Naugles is retaining ownership of the properties purchased with these funds.

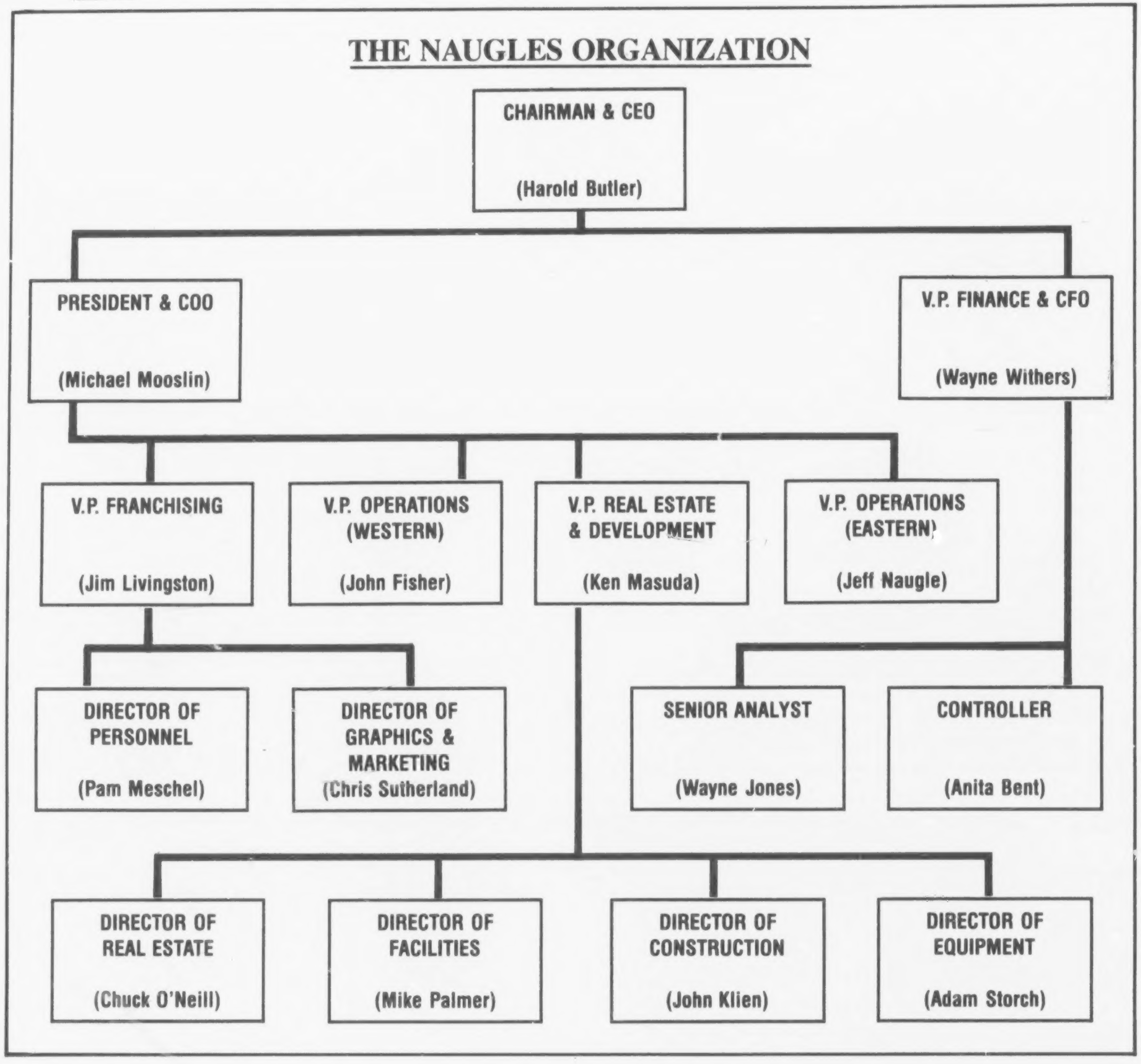
To remove the operating losses of some immature stores from the company's income statement, Naugles is considering selling its 20-odd units in the Chicago market to a limited partnership as a tax shelter. The company would retain an option to buy them back some years down the line, and operating losses in the interim would be absorbed by the partners.

Aside from the new-unit profit masking effect, the other major factor influencing the company's more measured outlook toward growth is manpower. "It's not so much a matter of how many [units] we build, but where we build," says Mooslin. "We don't want to outrun our management, and right now our management is mainly in the West."

Naugles is not playing the bidding-war game in pursuit of management talent, preferring its tested formula of cultivating home-grown human resources. The company's unorthodox approach to recruitment involves seeking out mature adults, and taking advantage of the "empty nest" syndrome by hiring a significant number of homemakers who've finished raising their families.

Along with its large number of handicapped and senior citizen employees, Naugles' crop of women managers lends stability to the chain, accounting for turnover rates a fraction of those burdening the competition.

Offering wages about $1 an hour above the minimum wage also lends added stability, Mooslin says. And tying a manager's bonus to the volume of drive-thru traffic a unit can process provides an incentive to keep cars—and sales—moving. (More than two-thirds of all Naugles' sales are drive-thru.)


THE NAUGLES ORGANIZATION
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V.P. FRANCHISING (Jim Livingston)
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Naugles claims to eschew the price-point consciousness which has characterized combatants in the so-called "burger wars." Its range of combo platters selling for $4.49 now accounts for sales of some 20,000 units per week throughout the system, exemplifying the company's goal of targeting the maturing tastes of baby-boomers who have grown up on fast food.

The new young adult consumer majority feels "no taboos about getting [quality food] in a paper sack," Mooslin says, adding that Naugles would rather offer value than worry about maintaining low price points.

Naugles new dinner platters aren't the chain's first break with the traditional menu styles of the burger and Mexican fast-food segments—which the company has sought to hybridize and upgrade. Last year, boneless chicken meat in a mildly spiced sauce was offered as an alternative to beef in any menu item.

Also in 1983, Naugles rolled out its outsize Macho Taco, which now accounts for 20%-25% of all taco sales. An overstuffed Macho Burrito item had been rolled out earlier. In Florida, tests are being run on a soft-shell taco, which is a popular item in the Southeast.

Just as the absence of overhead from marketing is seen as an advantage (Naugles doesn't advertise), so too is the company's simplified approach to distribution. Its lean list of ingredients and its relatively high unit sales averages (about $720,000 for mature stores) makes Naugles an "ideal customer" for the two distribution companies with which it does business (one in the West and one in the Midwest). "Our turnover is as low with our vendors as it is with our employees," Mooslin says.

NAUGLES

(Fiscal Year Ended June 30)

	1981	1982	1983
Systemwide Sales (In Millions)	$38.9	$55.8	$86.7
Net Profit	$930,000	$2.37M	$3.06M
Average Same Store Sales*	$720,000	$720,000	$720,000
Average Per Person Check	$2.95	$3.40	$3.65
Number of Units	64	105	166
% Menu Price Increase	7%		

Source: *NRN* Research

*Units open over one year

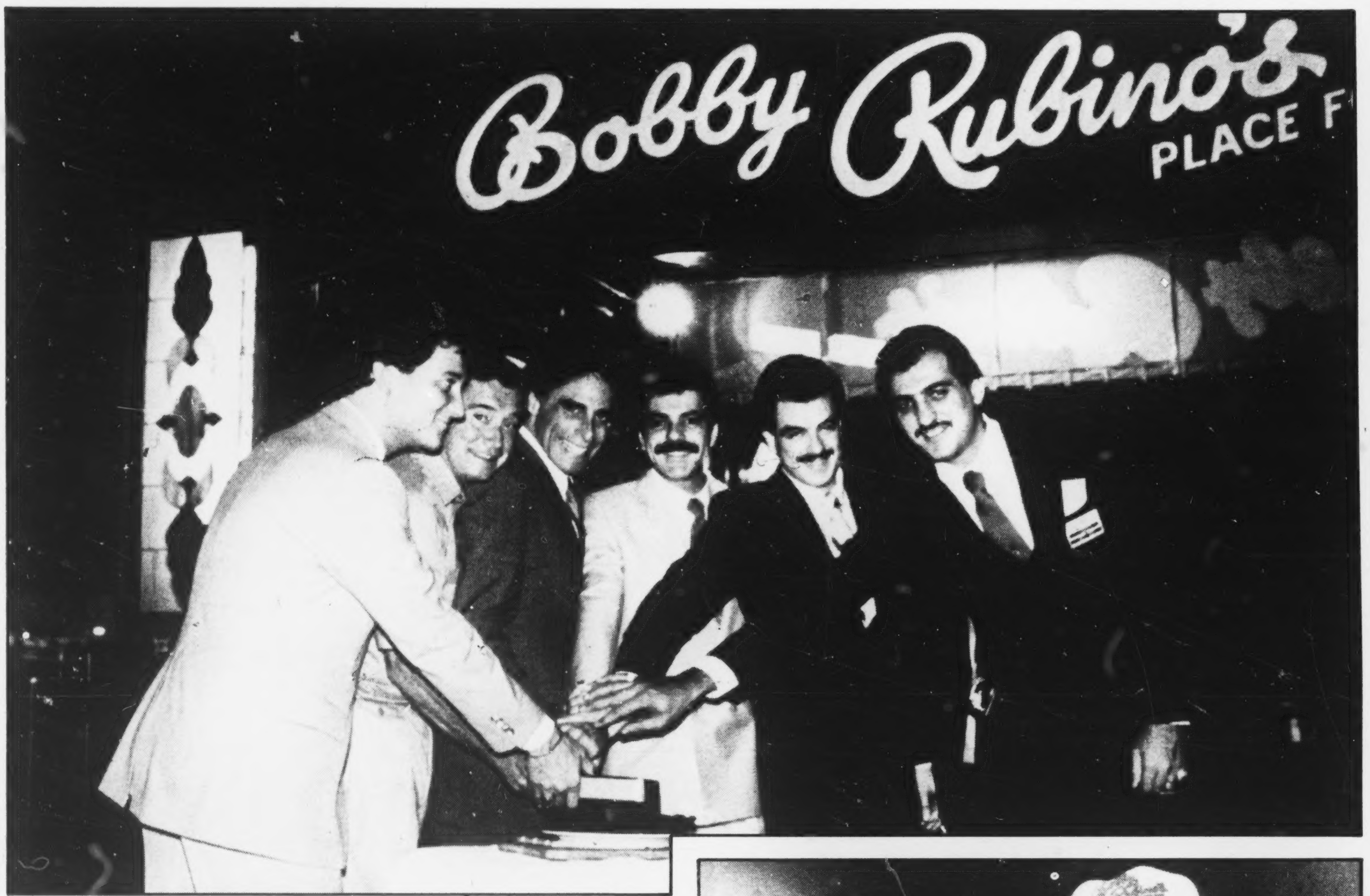
Naugles
DRIVE-THRU
TACOS-BURGERS
Naugles
HAMBURGERS BURRITOS TACOS FROSTIES DRIVE-THRU

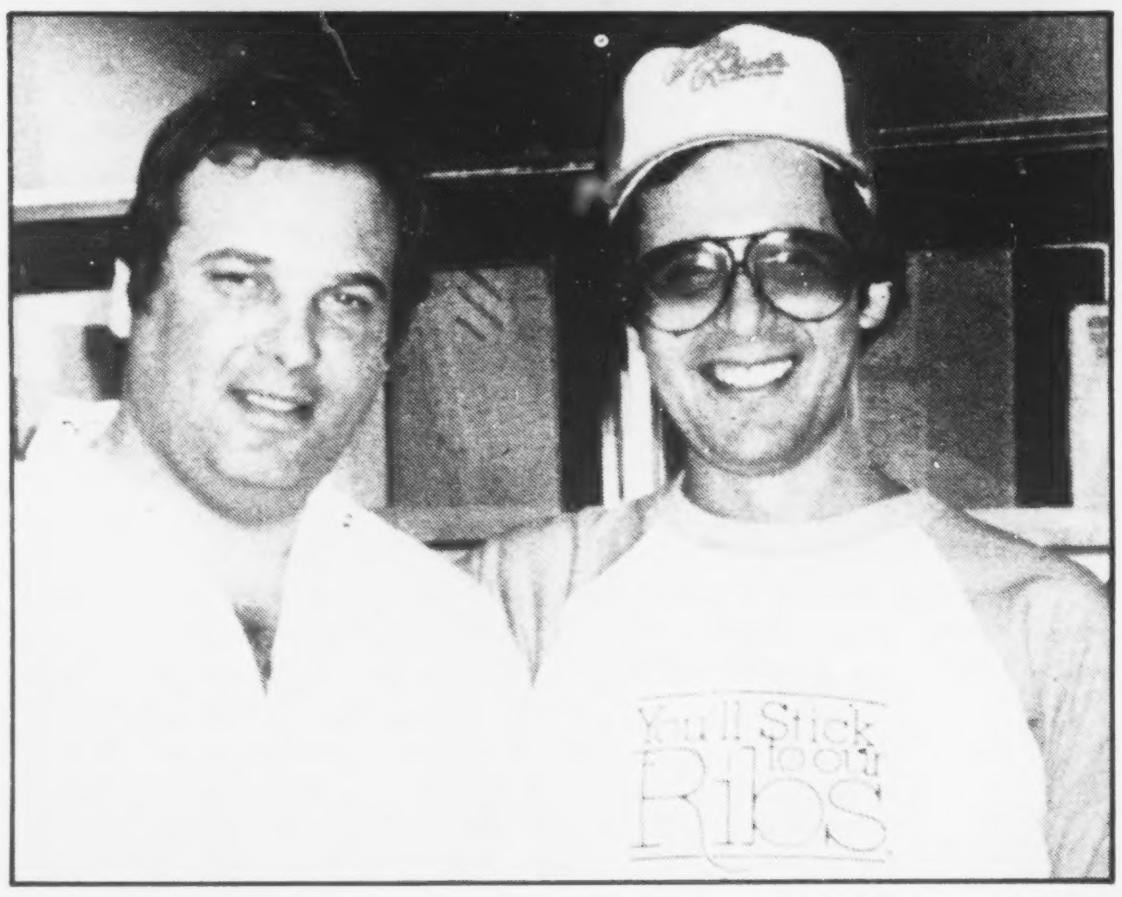
Slower-than-expected growth at Naugles drive-thru units have tempered forecasts.

SECOND-TIER CHAINS

A strategy designed to combat 'consumer fatigue'

BOBBY RUBINO'S




You'll Stick to our Ribs

Outside Bobby Rubino's are (left to right) Rod Sheldon, director of marketing for Bobby Rubino's USA Inc.; Regis Philbin of ABC's *Good Morning New York;* Manhattan Borough President Andrew Stein; Frank Galgano, president of Bobby Rubino's; Anthony Galgano, director of operations, and Frank Christiano, unit manager, Bobby Rubino's/New York. At right: Mitchell Mekles (left) and Dr. Mitchell Levy, franchisees of Bobby Rubino's Englewood Cliffs, N.J., unit.

FORT LAUDERDALE, Fla.—Bobby Rubino's Place for Ribs has set itself apart from many other rib house chains by attacking the segment's growing problem of "consumer fatigue" through a menu diversification strategy.

Many competitors offer only barbecued ribs and chicken and a couple of other items, a strategy which works for a while in new markets but discourages strong repeat business. Sticking to a very limited menu also makes it difficult for a chain to build market share.

Bobby Rubino's, a 15-unit chain which is expanding at a rate of at least one new unit a month, features a dinner menu with barbecued country-style ribs, barbecued baby back ribs and barbecued chicken, items which account for 75% of total sales.

In addition, there is chicken cordon bleu, chicken parmigiana, sirloin steak, steak tidbits in gravy, London broil in mushroom gravy, rainbow trout, fried grouper filet, chef's salad, a ½-lb. hamburger, side dishes such as french fries and an onion loaf and daily specials.

At lunch, prices for those items are lower and there's also a choice of a tuna salad platter and low-priced daily specials, including roast loin of pork ($2.95) and baked fillet of sole ($3.95). Prices vary in some cities.

In some Florida restaurants, prime ribs of beef entrees have been added to the dinner menu and may be rolled out in other cities later this year. Like other entrees, prime ribs are served with coleslaw and french fries or baked potato. They are priced at $9.95 for a 12-oz. portion and $14.95 for a 28-oz. portion.

"We not only want to attack market share with our menu—Fort Lauderdale, for example, is a mature rib market—but we try to stay one step ahead of the competition," explains marketing director Rod C. Sheldon. "We're not a limited menu chain anymore."

Menu diversification, however, has not taken the spotlight off ribs, which are far-and-away the chain's best-selling item, accunting for 60% of unit sales. The second most popular item at Bobby Rubino's is barbecued chicken, accounting for 15% of sales.

By expanding its menu, Bobby Rubino's brings back customers more frequently than in the past, officials say, and makes the restaurants more appealing to a wider customer base.

New products are not added to the menu unless they offer a strong price-value perception to consumers, Sheldon says. He calls prime ribs "a tremendous value" even though they are Bobby Rubino's highest-priced entree. Barbecued ribs are priced at $8.95, barbecued chicken at $5.45 and chicken parmigiana at $5.25. A "Bobby Burger" is $3.45.

Pricing is decided on a market-to-market basis, always with "good value" in mind, Sheldon says. For that reason, unit level profit margins are not as high as they might be. "We're a volume operation," Sheldon notes. "Maybe our margins aren't that wide, and maybe in some markets we could get more."

Average per-person checks at Bobby Rubino's are $12 at dinner. Average unit sales in 1983 were $2.6 million on an initial $1 million investment for land, building and equipment. Unit sales were $2.4 million in 1982 and $2.2 million in 1981.

With a signature dish that has become one of the most popular "fun foods" of the 1980's, Bobby Rubino's is settled in a market niche "somewhere between fast-food and fine dining," according to Sheldon.

Like its competitors in the barbecued ribs dinnerhouse segment, Bobby Rubino's competes directly with traditional dinnerhouses and casual theme restaurants, both of which have similar price points.

Though certainly not the largest rib chain—Tony Roma's, for example, has twice as many restaurants—Bobby Rubino's expansion plans and menu diversification strategy position it for a leadership role in the rib segment.

Bobby Rubino's Place for Ribs was founded several years ago by two brothers, Frank and Anthony Galgano, who direct day-to-day operations with Jerry Moniz, director of franchising, and Sheldon.

Profit sharing and stock option plans are being developed for employees.

Bobby Rubino's operates and franchises restaurants in Florida, New York, New Jersey, Pennsylvania, Illinois, Georgia, Ohio, Washington, D.C., and Canada. It plans to maintain an even split between company-operated and franchised units.

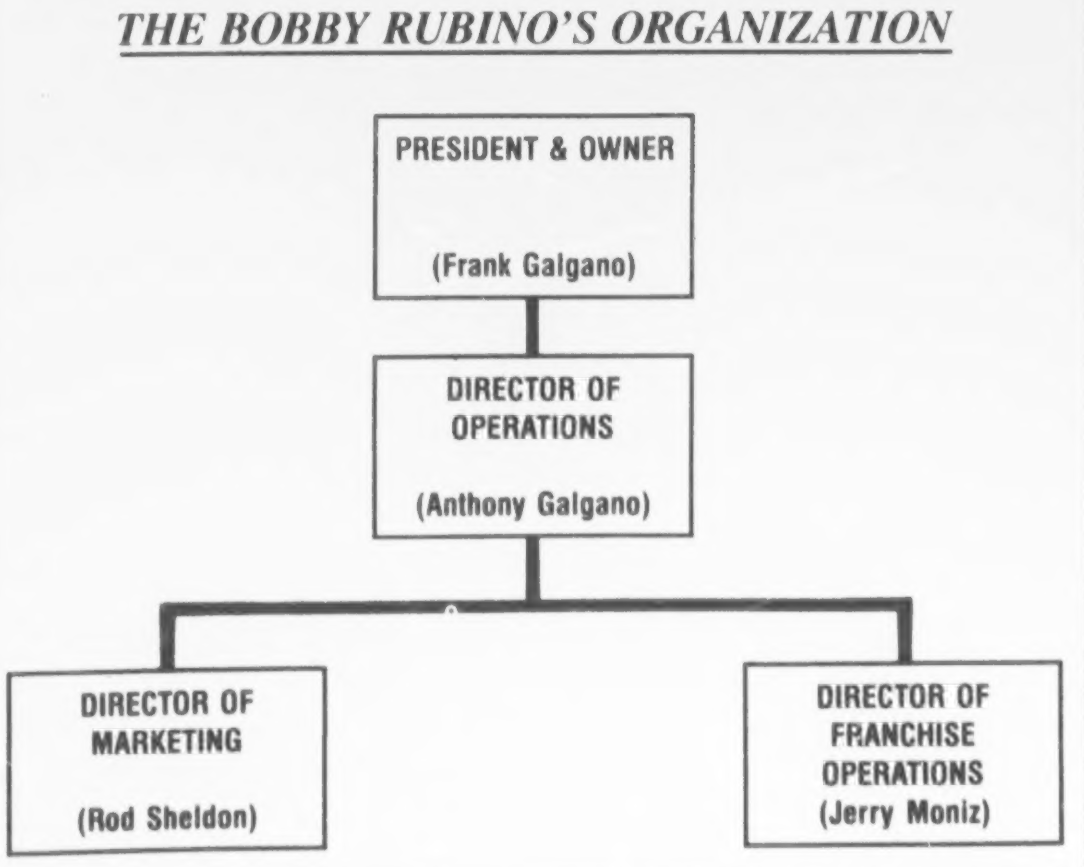
Expansion of company operations if financed through traditional bank loans, short-term construction financing and with minor investor partners.

Bobby Rubino's has turned down at least one acquisition offer from a New York-based food-service company.

In New Jersey, two partners, Mitchell Mekles and Dr. Mitchell Levy, have just opened their second franchised Bobby Rubino's in Verona, and will open their third in Paramus this month.

"The success of our first Bobby Rubino's gave us good reason to bring others on line," Dr. Levy says. "The high value, low cost quality of ribs and chicken works."

THE BOBBY RUBINO'S ORGANIZATION



Bobby Rubino's management team: (left to right): Frank Galgano, Anthony Galgano and Rod C. Sheldon.

SECOND-TIER CHAINS

Spreading out to create a 'national presence'

PO FOLKS

NASHVILLE—General strategy for Po Folks restaurants is to get units open in as many markets as possible in order to create a national presence, says president and chief executive officer Clyde Culp.

Last month this fast-growing chain of midpriced country-style restaurants opened its 100th unit. By the end of the year, says Culp, 170 franchised and company-owned stores should be open.

Po Folks has been expanding its base of restaurants featuring basically Southern-style preparations throughout the West and now into the Midwest. Menus, which contain folksy wisdom and phonetic misspellings, include items like conutry-fried steak, $3.49; catfish, $5.49; chicken livers, $3.29, and gizzards, $3.29; seafood gumbo, 99¢ and $1.95; fried okra, 59¢; turnip greens, 59¢, and moon pie, 20¢, for dessert.

Since much of Po Folks' growth will be franchised, financing will not be a major problem for the Nashville-based Po Folks Inc. At least one franchisee has recently made a public offering of stock; others are expected to obtain bank financing or use sale leasebacks.

Po Folks Inc. is an independent public company, having spun off last year from Krystal Company, the Chattanooga-based food-service chain. Po Folks has a subsidiary, DavCo Food.

Though company officials say they hope to double the chain's size this year, Culp says variable growth rate plans, from "aggressive" to "conservative," have been developed. If problems came up, Po Folks would "become austere" and work toward the conservative growth rate.

Coping with rapid growth has made it necessary to hire about 80 new staff members in the past seven or eight months to manage the Po Folks system. Stock options and bonuses are offered as incentives at different managerial levels.

Menu development apparently will not be a major factor in the chain's growth. In two years the menu has not changed. Culp says a survey of 6,000 customers showed there was little need for additional items. Using the phrase popularized in the Carter years, Culp concludes: "If it ain't broke, don't fix it."

Po Folks emphasizes large portions at moderate prices, with an appeal to families. Because of the family orientation no liquor is served.

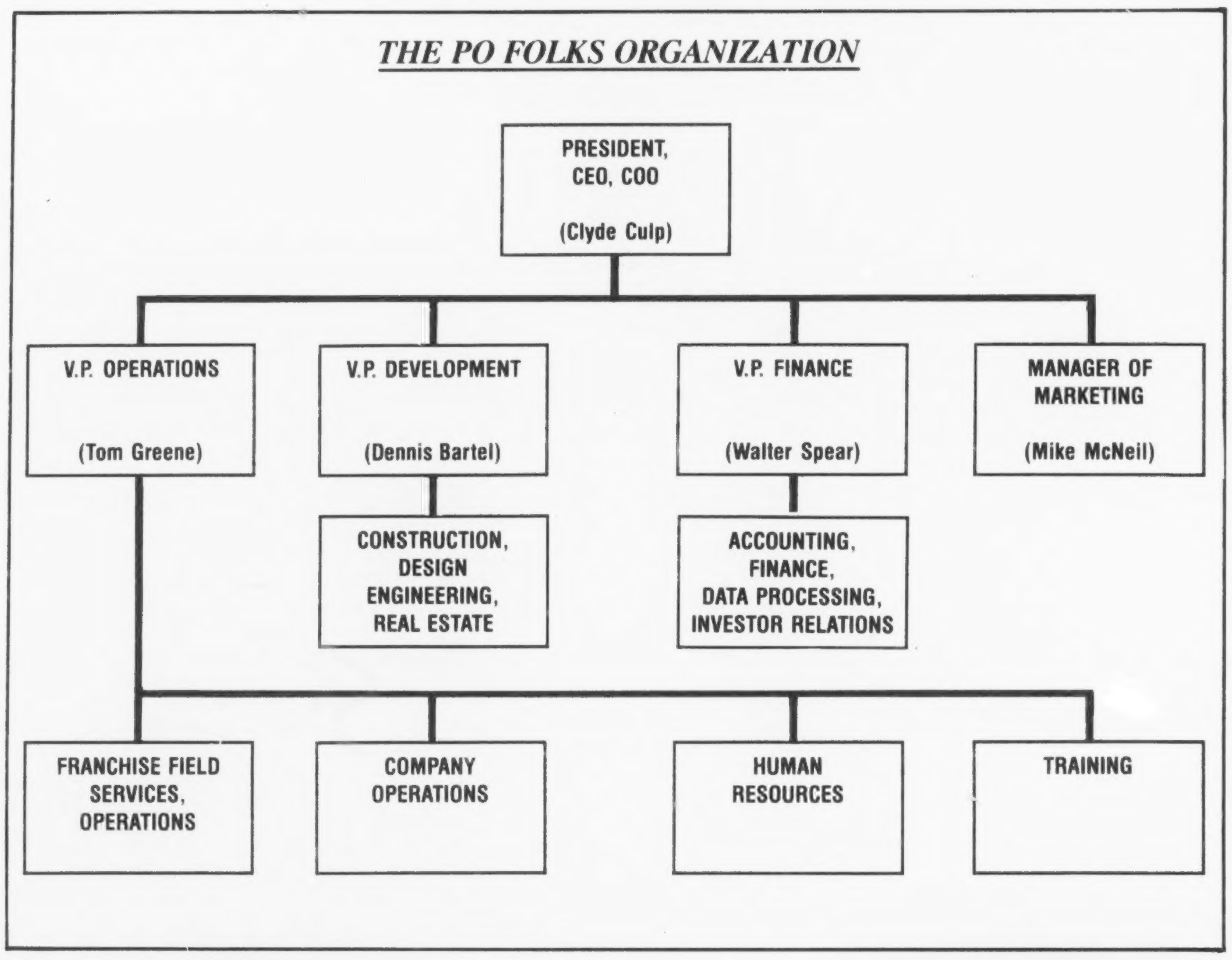
In pricing the chain is occupying a niche between the sit-down restaurants and the fast-feeders. An average per-person check is about $3.75. In order to maintain the price point, effective menu management is employed. For example, according to Culp, if meat prices should rise, the chain will promote and develop its seafood and chicken offerings. The most popular menu items are chicken, seafood, chops and country steak.

Customer counts were beginning to rise again in February after falling slightly in January due to bad weather. Before that they had been flat for several months.

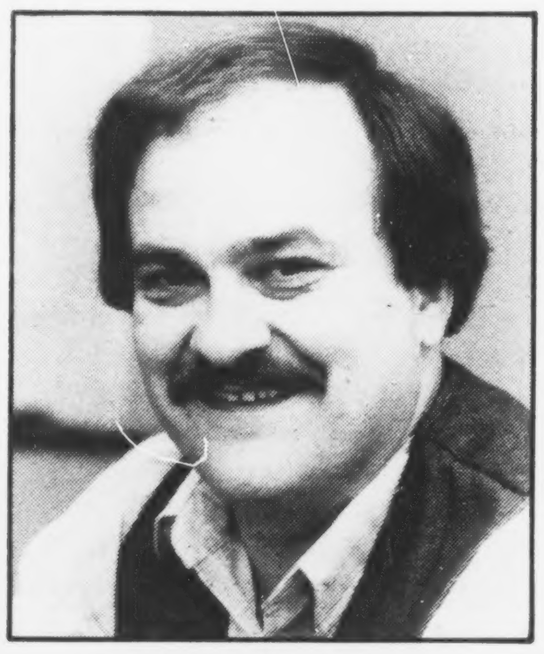
Culp says research shows that Po Folks' customers are loyal. According to this study of "heavy users" of the restaurants, those surveyed said that 40% of their dining-out experiences in a month were at Po Folks.

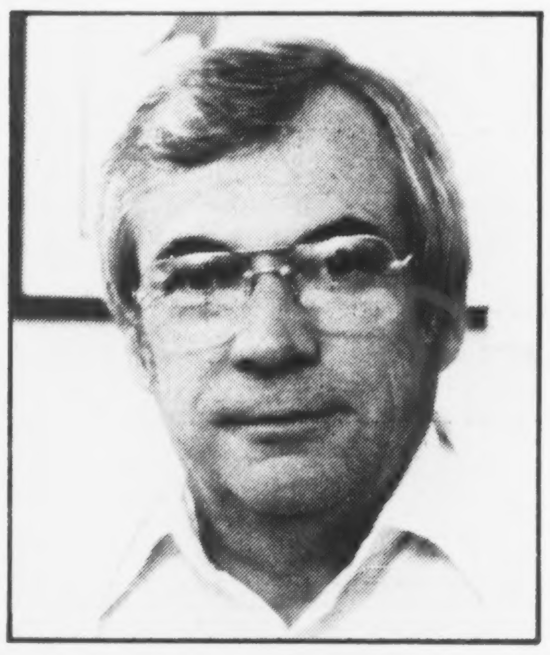
On the DavCo side of operations, executives say they hope to add about 14 Wendy's units this year in their Washington-Baltimore-St. Louis markets, bringing the total to more than 100. The strategy for the Wendy's is to penetrate the markets more fully and put more emphasis on local advertising.

Menu development apparently will not be a major factor in the chain's growth. In two years the menu has not changed.

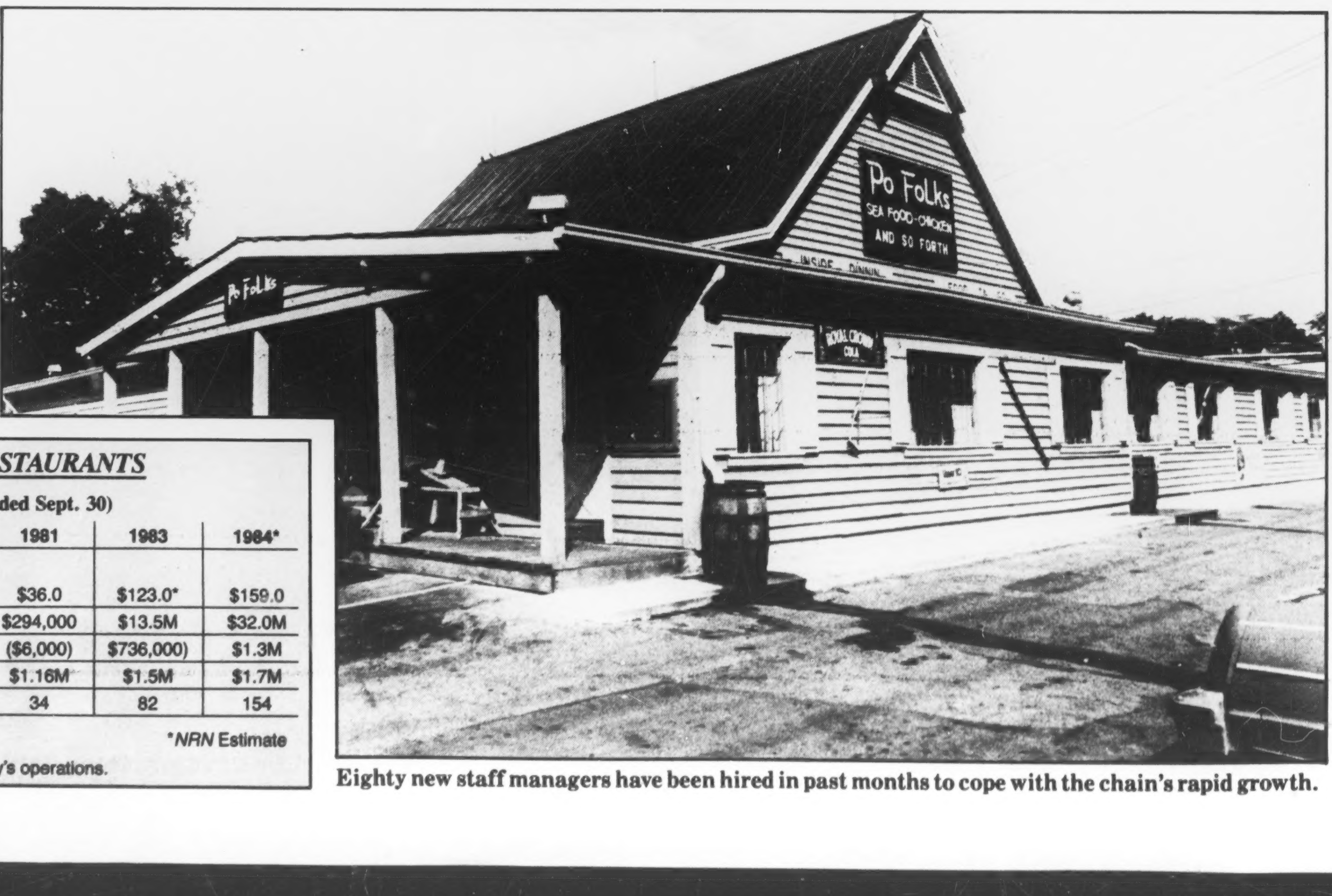

THE PO FOLKS ORGANIZATION
PRESIDENT, CEO, COO (Clyde Culp)
V.P. OPERATIONS (Tom Greene)
V.P. DEVELOPMENT (Dennis Bartel)
V.P. FINANCE (Walter Spear)
MANAGER OF MARKETING (Mike McNeil)
CONSTRUCTION, DESIGN ENGINEERING, REAL ESTATE
ACCOUNTING, FINANCE, DATA PROCESSING, INVESTOR RELATIONS
FRANCHISE FIELD SERVICES, OPERATIONS
COMPANY OPERATIONS
HUMAN RESOURCES
TRAINING

Clyde E. Culp


Tom Greene


Walter Spear

Dennis Bartel



Eighty new staff managers have been hired in past months to cope with the chain's rapid growth.

PO FOLKS RESTAURANTS

(Fiscal Year Ended Sept. 30)

	1981	1983	1984*
Systemwide Sales (In Millions)	$36.0	$123.0*	$159.0
Revenues	$294,000	$13.5M	$32.0M
Net Profit (Loss)	($6,000)	$736,000)	$1.3M
Average Same Store Sales	$1.16M	$1.5M	$1.7M
Number of Units	34	82	154

Source: *NRN* Research **NRN* Estimate

These figures do not include the Wendy's operations.

SECOND-TIER CHAINS

Upscale chicken chain plants roots in South

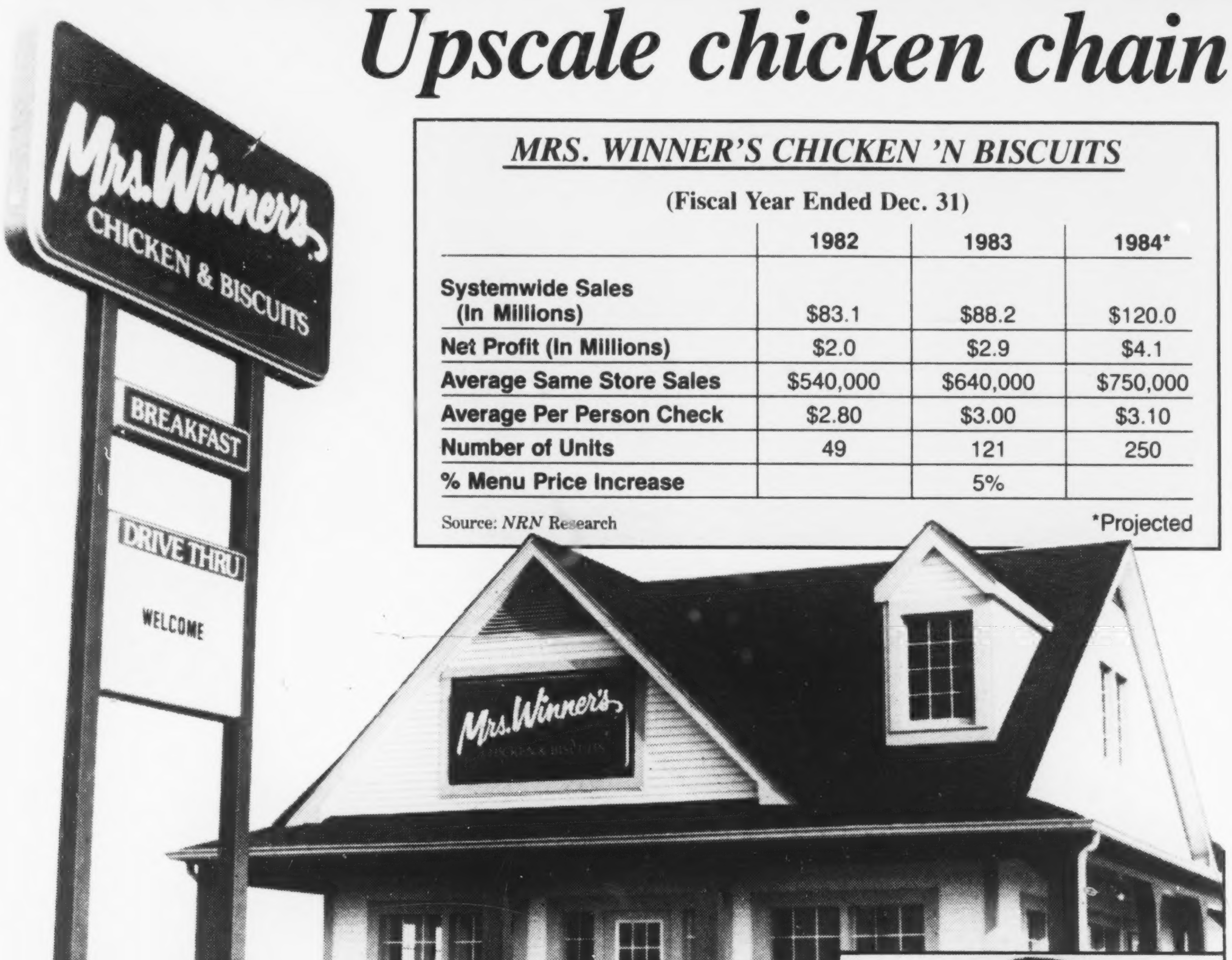
MRS. WINNER'S CHICKEN 'N BISCUITS

(Fiscal Year Ended Dec. 31)

	1982	1983	1984*
Systemwide Sales (In Millions)	$83.1	$88.2	$120.0
Net Profit (In Millions)	$2.0	$2.9	$4.1
Average Same Store Sales	$540,000	$640,000	$750,000
Average Per Person Check	$2.80	$3.00	$3.10
Number of Units	49	121	250
% Menu Price Increase		5%	

Source: *NRN* Research

*Projected


Mrs. Winner's
CHICKEN & BISCUITS
BREAKFAST
DRIVE THRU
WELCOME
Mrs. Winner's

By 1988, Winners Corp. executives say there could be as many as 1,000 Mrs. Winner's units in operation.

MRS. WINNERS

By David Zuckerman

NASHVILLE—With a carefully mapped limited expansion strategy and a burgeoning upscale identity, Mrs. Winner's Chicken 'N Biscuits, a division of Winners Corp., is rapidly carving a market niche across the southern quadrant of the United States.

Positioned at the high end of the fast-food chicken market, the chain is tackling competitors head-on with an innovative menu built around two signature items: chicken and biscuits.

Available in a variety of combinations, these two items form the basis of a menu mix that has been showing strong results in all three day parts—breakfast, lunch and dinner—according to Phil Martin, a spokesman for the 150-unit chain.

By expanding its biscuits into the lunchtime meal period, Mrs. Winner's has boosted average annual unit sales from $561,000 in 1982 to a current level of $676,000.

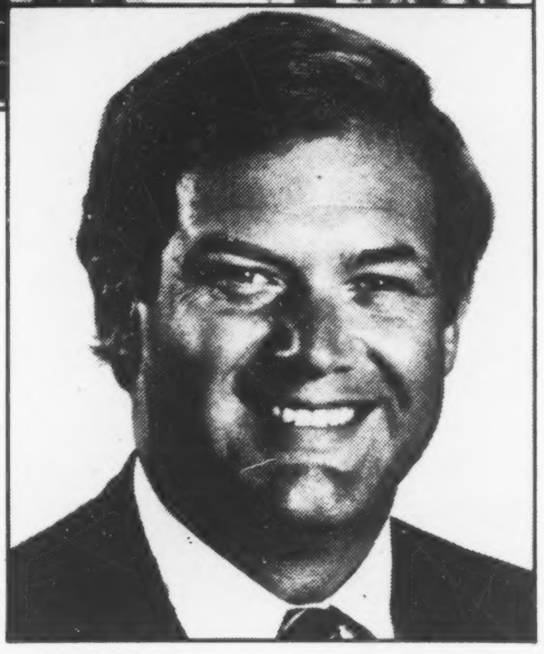
"Biscuits give the impression of a breakfast item," Martin said. "But with the introduction of our Club Biscuit sandwiches six months ago, they are now selling very well at lunch."

At breakfast, biscuit sandwiches, which range in price from 89¢ to $1.39, include sausage, chicken, country fried steak, country ham, bacon, country gravy, eggs and cheese.

During lunch, the same biscuits produce a higher ticket item—the Club Biscuit sandwiches. There are currently two available, steak at $1.49 and chicken for $1.79. These are served with bacon and cheese plus side dishes of baked beans or corn on the cob.

The Club Biscuit rollout, Martin said, illustrates perfectly the chain's strategy in regard to price points. While the average check is currently about $3, it is expected to rise gradually as consumers perceive a higher value in such products.

While fried chicken remains a staple of the menu mix, with chicken takeout accounting for up to 50% of sales in some units, Mrs. Winners does not consider KFC or Church's as its major competitors. With its more upscale unit design and menu variety, Winner's has set its sights on such chains as Bojangles, Grandy's and Sisters.



M. V. "Buck" Hussung Jr.

At dinner, for example, offerings include a spicy chicken and dumplings platter and a country fried steak platter, both served with two side dishes and biscuits. These items, according to Martin, help project Mrs. Winner's as a full-scale restaurant rather than strictly a fried chicken outlet.

In addition to improving perceived value among consumers and pushing up check averages, the broader menu has helped keep food costs in check and margins relatively high. Winner's has largely avoided the sting of increased broiler prices over the past year since chicken accounts for only 39% of the chain's food-cost dollar. Other food items have remained relatively stable, keeping overall food costs at a manageable level.

The newest product in the Mrs. Winner's arsenal—a stuffed baked potato—is projected to further increase lunchtime business. Launched early this year at 20 units in the Nashville market, the baked potato is scheduled for rollout to all company stores this year.

Like the Club Biscuit, the baked potato relies heavily on products that are already in the units. It is being offered with a choice of five toppings: chicken and cheese; sour cream and chives; sausage, gravy and cheese; bacon and cheese, and broccoli and cheese.

Winners Corp., a public company that also operates over 50 franchised Wendy's, has thus far concentrated expansion of company-owned Mrs. Winner's in four major markets: Atlanta, where the chain started; Nashville; Birmingham, Ala., and Louisiana.

Backed by a regional advertising program, the company has worked to become the dominant quick-service fried chicken chain in each of these markets, targeting a minimum of 25% of market share.

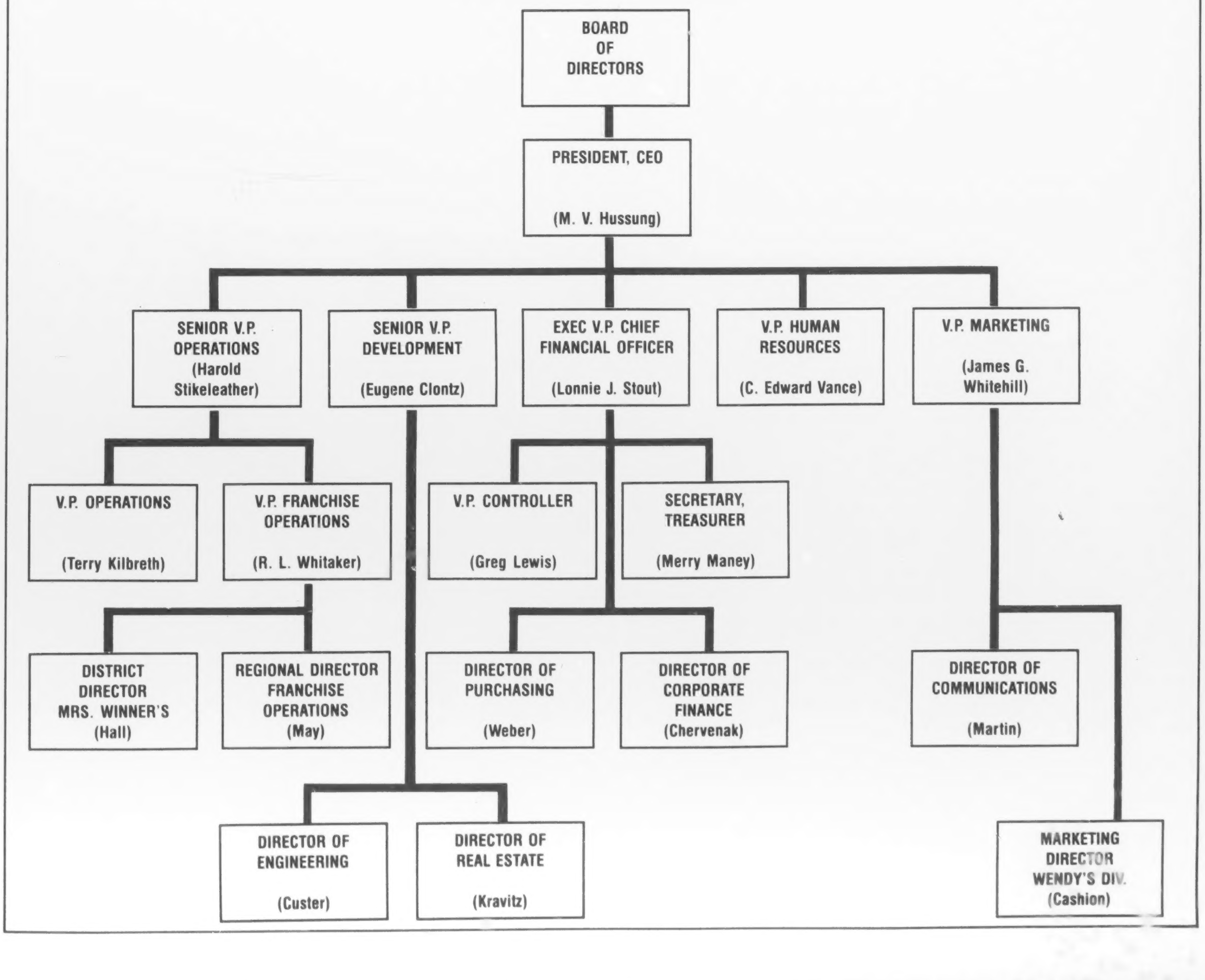
"At this point in time we are not projecting becoming a national chain," said Martin. "Our customer base is geographically limited and we are sticking to those areas where we feel we can dominate the market."

Fueled by a $25 million convertible debenture offering last year, the chain increased its stock of company stores from 65 at the beginning of 1983 to a current total of 125. They have also entered several new markets including Knoxville, Memphis, Asheville, N.C., and Dallas.

An active franchising program is also under way with new markets being opened in Fort Worth, Tex., Oklahoma, Nevada, Denver, Florida, and High Point, N.C.

In 1983, Mrs. Winner's added about 25 franchised stores and over the next five years, franchisee contracts call for the development of approximately 400 Mrs. Winner's restaurants. By 1988, according to top company executives, there could be as many as 1,000 Mrs. Winner's Chicken 'N Biscuit units in operation.

THE WINNERS CORP. ORGANIZATION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SECOND-TIER CHAINS

New menu item rollout spurs marketing attack

PIONEER

By Rick Martin

LOS ANGELES—Although Pioneer Take-Out Corp. wants to escalate the recently modest growth rate of its 327-unit fast-food chicken chain, the company is first tackling a more basic issue.

By restructuring its menu, its marketing attack and its image, the 23-year-old chain is looking to gain momentum it can then put to use in physical expansion.

Pioneer recently signed O. J. Simpson to a three-year deal to represent the company in print and on the airwaves. The Simpson campaign will coincide with rollouts of new menu items geared to recapture some the market share lost in recent years to upgraded fast feeders now doing chicken and to KFC with its fresh biscuit program.

The new hot 'n spicy chicken, spicy rice and fresh buttermilk biscuit items being introduced this month are only a prelude to further menu-mix realignment coming later this year. A "country" breakfast program, a new variety of chicken and a chicken fried steak and gravy item are now going through R&D and field testing.

When its streamlined new menu boards and its new product offerings are in place throughout its markets in California, Arizona, Nevada and Hawaii, the company can turn its attention to stepping up expansion.

President and ceo Rick Kaufman and the other top executives of the company have talked about taking Pioneer public—a notion which they say is not likely to be acted on for the next three to five years. In the meantime, the company is using a combination of internal cash and bank debt to fund growth, with costs often reduced through sale leasebacks and, of course, franchising.

About 64% of the chain is franchised, and Pioneer's corporate revenues are fully half of systemwide sales. Those sales have remained flat—at about $92 million annually—for the last several years, giving management reason to rethink the company's image and marketing strategy before too much physical expansion is undertaken.

Without having to deal with the demands placed on public companies by outside investors, Pioneer has been able to hold back on forced development while revising its game plan. "We're cautious about taking on new debt," says Stephen Franklin, senior vp and cfo. "We have never put emphasis on growth for the sake of numbers."

Franklin knows of all too many food-service companies of Pioneer's approximate size which have gotten into hot water from trying to expand too rapidly. And president Kaufman knows the human equation is of equal importance to a meaningful growth profile.

"Our rate of growth must always be commensurate with our ability to manage," Kaufman says, adding that Pioneer has striven—with concepts like its "wagonmaster" program—to build and keep management talent. More than half of all unit managers have come up through the ranks, from crew member to team leader to management candidate, motivated by such incentives as a 13-step profit sharing plan which can earn a manager as much as 20% of his unit's net profit.

Pioneer's more intense emphasis on menu diversification is the special concern of Al Prospero, vice president of products, purchasing and research and development. He says one of his main concerns is positioning the chain with products *and* prices that are appropriate for the company's marketing targets.

"We have to be sensitive to the 'price psychology' of our typical customer," Prospero says, adding that much of Pioneer's clientele is blue-collar and Latino, given the fact that about 60% of the chain is in the Los Angeles market.

Price increases over the last three years have been modest, averaging 2.8% per year. An average check is now about $3.80.

One of the problems on which Prospero is now working is one that is intrinsic to fried chicken chains with a wet-batter product. Because wet batter is more susceptible to inconsistencies in preparation—owing to fry fat temperature variations and oil absorbency—Pioneer is considering offering an optional dry-batter chicken product some time down the line.

A more immediate concern might be the coming rollout—perhaps by late summer or fall—of a chicken fried steak item ($2.29 with mashed potatoes and gravy), and "country" breakfasts of sausage, ham, eggs, biscuits and gravy. Testing is mainly going on in Pioneer's stores in the Las Vegas market.

Pioneer's principal goal, naturally, is boosting customer counts, which have remained flat for the last two or three years, but are now increasing.

Distribution problems are minimized by Pioneer's concentration in the Southwest, with "full-service, one-stop-shopping" from one distributor in California, and another servicing Arizona and Nevada. Both suppliers are bound to contracts which provide that they will service any new territories Pioneer may enter. "We no longer have the problem, as in years ago, where a company would suffer by going into a remote market," Prospero explains.

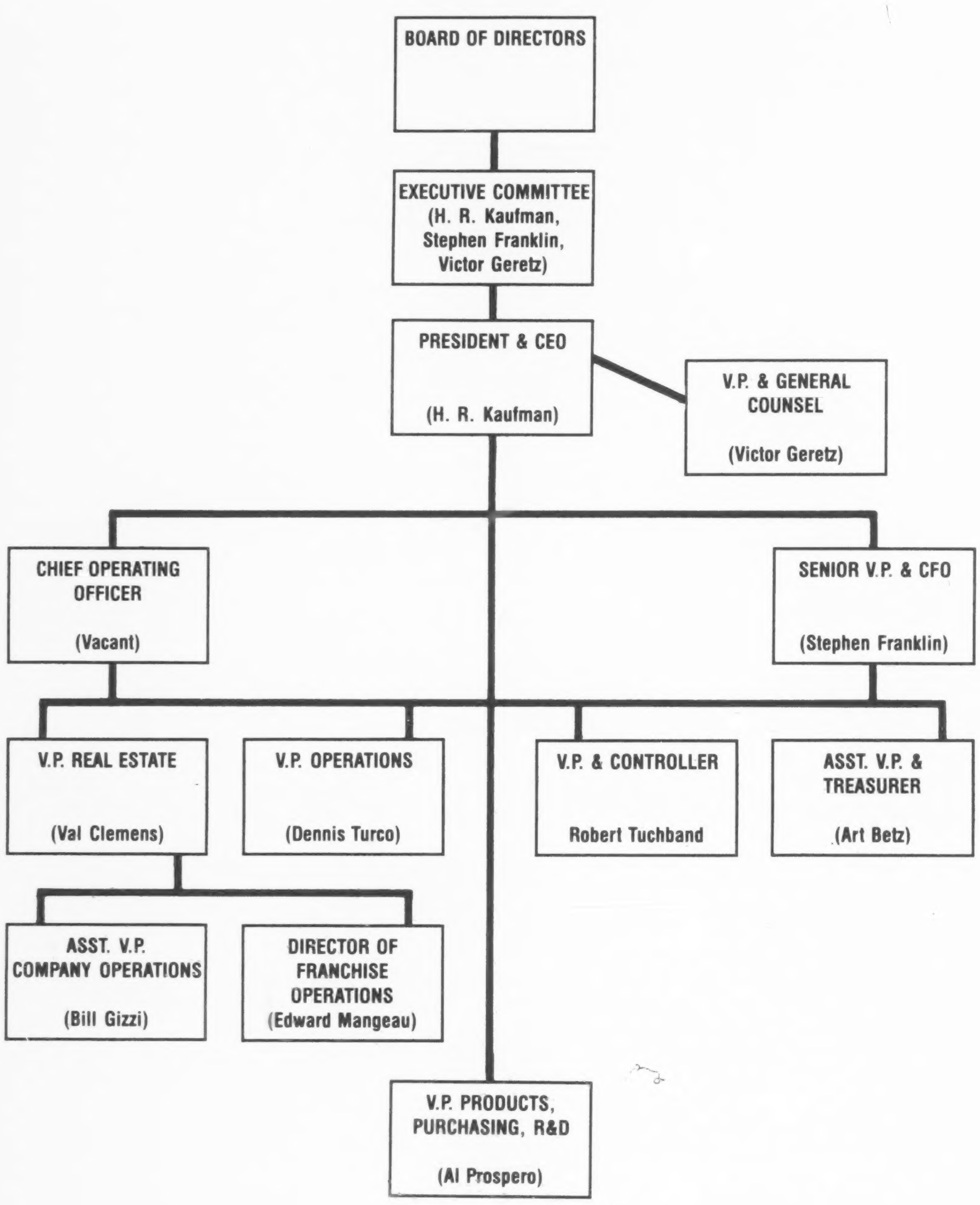
Franchisee relations are important to an outfit like Pioneer, especially with its pending switch to new menu boards, early morning hours for breakfast sales, and related promotions. The company recently created consulting teams which will work out of corporate headquarters and service the particular needs of three basic franchise types: Single-unit, low-volume operations; average-to-high-volume outlets, and multiunit franchisees.

The coming rollouts will require a concerted effort on the part of the company and its franchisees, with public perceptions and marketing impact seen as the critical risk factors. "We usually like to do a soft sell to franchisees, rather than pointing to the fine print in their contracts," says one high-ranking Pioneer executive, "but we've got to have a unified approach to introduction of our biscuits, our breakfasts and the rest."

Franchisees could be Pioneer's principal vehicle for eventual expansion into new territories. The company expects to sell its first area franchises this year for Eastern and Midwestern territories.

Franchisees have recently opened the system's first two shopping mall units in Los Angeles; early sales performances in the prototype units show the potential for annual sales in excess of $700,000, the company reports. The mall outlets show some new wrinkles in the basic Pioneer concept by having salad bars and build-your-own ice cream sundae bars, plus five-register sales counter layouts for faster turnover.

THE PIONEER ORGANIZATION


BOARD OF DIRECTORS
EXECUTIVE COMMITTEE (H. R. Kaufman, Stephen Franklin, Victor Geretz)
PRESIDENT & CEO (H. R. Kaufman)
V.P. & GENERAL COUNSEL (Victor Geretz)
CHIEF OPERATING OFFICER (Vacant)
SENIOR V.P. & CFO (Stephen Franklin)
V.P. REAL ESTATE (Val Clemens)
V.P. OPERATIONS (Dennis Turco)
V.P. & CONTROLLER Robert Tuchband
ASST. V.P. & TREASURER (Art Betz)
ASST. V.P. COMPANY OPERATIONS (Bill Gizzi)
DIRECTOR OF FRANCHISE OPERATIONS (Edward Mangeau)
V.P. PRODUCTS, PURCHASING, R&D (Al Prospero)

PIONEER TAKE OUT

(Fiscal Year Ended Dec. 31)

	1981	1982	1983*
Systemwide Sales (In Millions)	$88.8	$92.1	$92.6
Revenue (In Millions)	$42.2	$44.8	$46.7
Net Profit (In Millions)	$2.1	$1.0	$1.5
Average Same Store Sales	$358,800	$343,200	$338,000
Average Per Person Check	$3.33	$3.65	$3.67
Number of Units	259	272	293†
% Menu Price Increase	2.0%	2.8%	3.7%

Source: *NRN* Research

**NRN* Estimate

†12 of the 21 units opened in 1983 came on line in December.

DRIVE THRU
PIONEER

Plans are under way to escalate the 23-year-old fast-food chicken chain's growth rate. President H. R. Kaufman (inset).

SECOND-TIER CHAINS

Motivation techniques spur employee momentum

CHICK-FIL-A

ATLANTA—Chick-fil-A's unique and highly profitable management incentive programs have helped increase volume by 40% or higher at many of the national fast-food chicken-sandwich chain's 282 units.

Forty-six Chick-fil-A operator/partners recently received free use of a luxury automobile for one year in exchange for having boosted their per-store volume by at least 40% over the previous year. Should they repeat their 1983 sales performance, the cars are theirs to keep. Thus far, company founder and president S. Truett Cathy has given away 53 cars, including two to a manager who increased sales by 40% three years in a row.

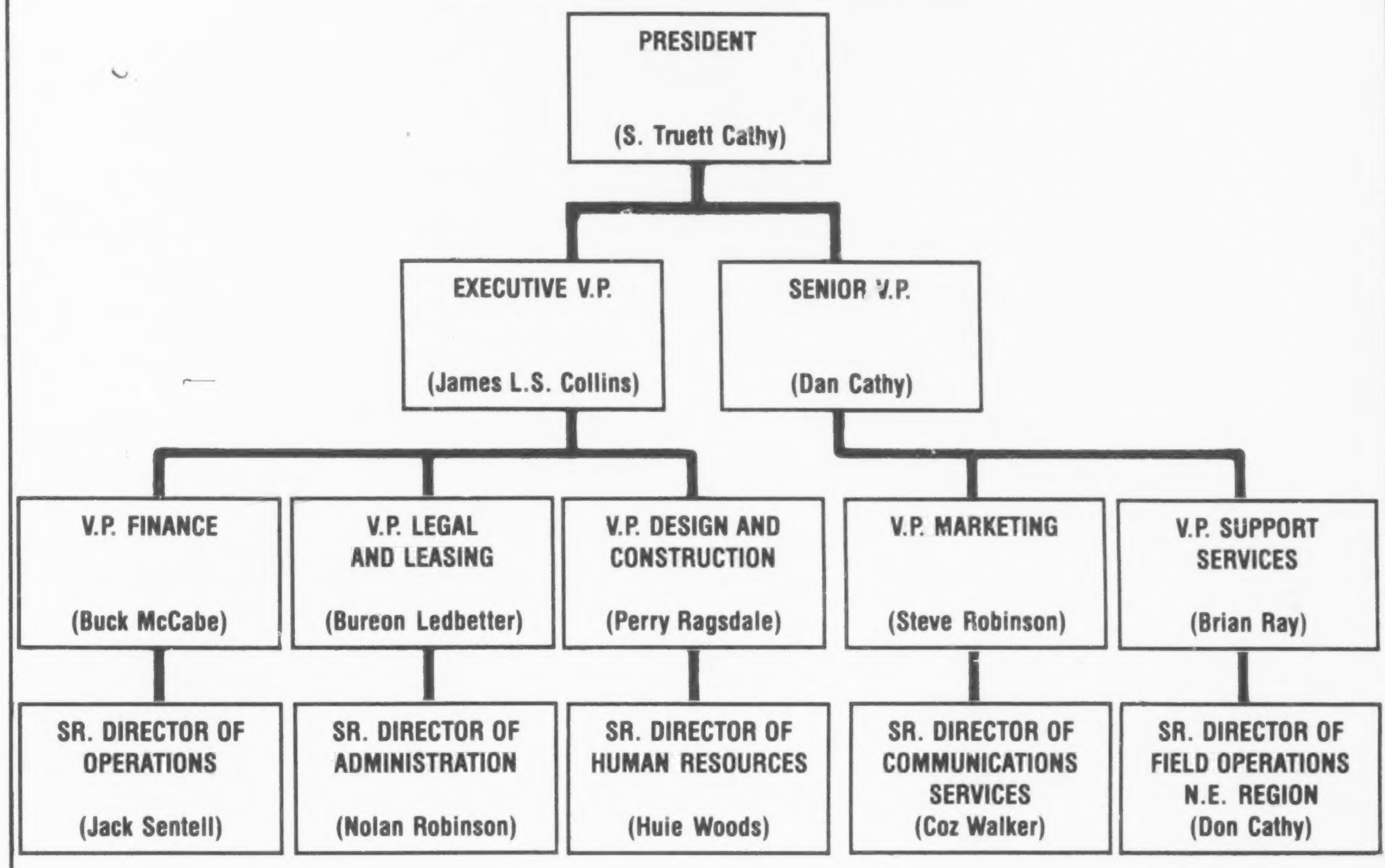
The automobile bonus program is only part of the motivational techniques which have helped Chick-fil-A increase systemwide sales from $103 million in fiscal 1982 to $134 million in fiscal 1983 and an anticipated $165 million during the current year, ending Dec. 31. Average same-store sales also continue to climb, from $421,000 in 1982, to $510,000 last year and an anticipated $571,000 this year.

All of Chick-fil-A's 282 single-unit operators pay a one-time $5,000 joint-venture leasing fee in exchange for $12,000-a-year in guaranteed net income plus half of their store's profit. A typical Chick-fil-A operator earned $40,000 last year and will earn $47,000 this year, according to James Collins, Chick-fil-A's executive vice president. Besides, each year every Chick-fil-A operator and his or her spouse are sent on a week-long working vacation in an exotic locale like Bermuda.

Chick-fil-A's incentive programs extend to labor as well. Cathy presents $1,000 college scholarships to students who maintain C averages and work 20 hours a week for Chick-fil-A two consecutive years. Thus far he has presented more than 1,000 such scholarships, at a cost of $2 million. In addition, Chick-fil-A will this year award 75 $10,000 college scholarships.

"Our incentive programs have helped keep our turnover rate at 6% and our staff turnover even lower. And we've never had to close a store," said Collins.

THE CHIC-FIL-A ORGANIZATION



CHICK-FIL-A

(Fiscal Year Ended Dec. 31)

	1982	1983	1984*
Systems Sales (In Millions)	$103	$134	$165
Average Same Store Sales	$421,000	$510,000	$571,000
Average Per Person Check	$2.13	$2.37	$2.55
Number of Units	255	282	315
% Menu Price Increase	1.48%	2.35%	6.33%

Source: *NRN* Research

**NRN* Estimate

The first Chick-fil-A unit, inspired by the Dwarf House Restaurant, Cathy's single-unit, 24-hour coffeehouse in nearby Hapeville, Ga., opened in 1967.

Today, 278 Chick-fil-A stores are located in regional mall shopping centers in 32 states.

Neither the earth tone decor nor the menu of the 40-seat, 1,800-sq.-ft. prototype stores have changed much since 1969, said Collins. The signature item is still the original boneless breast of chicken sandwich on a hot buttered bun created by Cathy. The sandwich sells in most units for $1.69 and a dozen chicken-filet nuggets for $1.89. The systemwide average per-person check is $2.37.

The growth philosophy of the chain has also remained intact over the years: Slow, cautious, conservative expansion. "We don't stike out until we have good locations and the necessary capital," said Collins. "We're research driven, we don't like to take shots in the dark. Good decisions require good information." The Chick-fil-A research and development department is headed by Dr. William Baran.

Collins anticipates opening approximately 34 new stores this year and next. As regional malls become saturated with fast-food operations, Chick-fil-A searches for alternative sites like strip shopping centers. Cathy is even considering resurrecting his Dwarf House concept.

Seafood and entertainment get high-volume results

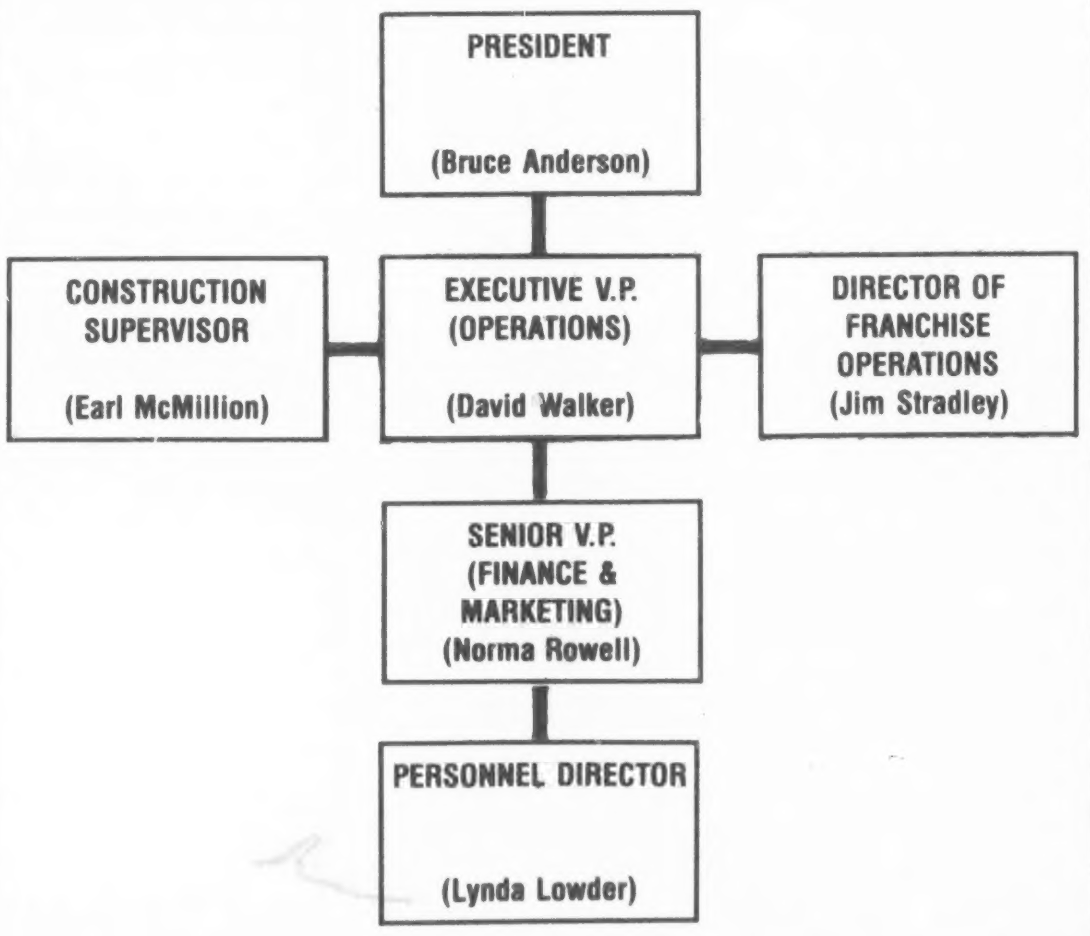
ANDERSON'S CAJUN WHARF

By Ken Frydman

LITTLE ROCK, Ark.—In this city of approximately 325,000 residents, the 350 dining-seat, 200 bar-seat original Anderson's Cajun's Wharf is grossing $4 million and recording 4,000 customer counts a week, making it the highest volume and most heavily trafficked restaurant in the region.

The second prototype Cajun's Wharf, opened in Nashville, Tenn., in 1975, does a similar volume. The chain's first franchised unit, opened in Oklahoma City in 1978, also generated $4 million in sales last year, according to Anderson. He expects all three restaurants to increase sales by $700,000 and net profit from $2.4 million to $2.8 million in fiscal 1983-84.

THE ANDERSON'S CAJUN WHARF ORGANIZATION



"We're the top volume individual restaurants in all three markets. We can't say we're not getting our share of the restaurant business in Little Rock, Nashville and Oklahoma City where we draw from 100 miles radiuses," said Anderson, the private company's majority stockholder.

But, with the successes have come a failure for Anderson's Cajun Wharf. The chain closed its Knoxville, Tenn., unit in early 1983, following the 1982 World's Fair there. "The World's Fair killed the city and the area afterwards, but we did well during the fair," Anderson said.

And during the recessions of 1974 and 1981-82, Cajun's Wharf customer counts dipped considerably, corresponding with national retail business trends. "We were, and still are, geared towards high volume, so the recessions really hurt our sales figures," said Anderson. While Cajun Wharf's average per-person check has held steady at $11, the percentage menu price increase has continued to grow by 7.9% annually. Food accounts for 65% of total sales and liquor the remaining 35%.

The Cajun's Wharf stable culinary concept consists primarily of 20 fresh seafood items, like Boston scrod or flounder, prepared 30 different ways, according to Anderson. Entree prices range from $7.95 for fried oyster and catfish dinners to $18.95 for shellfish. The company's own wholly owned subsidiary, a red meat and seafood wholesale operation called Port City Sea Food, supplies all three restaurants. "We have very good connections on the East Coast. We know all the fishermen and the names of their boats," Anderson said.

Each unit offers cheesecloth-covered tables, a large stand-up oyster bar, outdoor patio cafes, singing waiters and waitresses, and live show bands and dixieland jazz groups nightly. To coincide with New Orlean's Mardi Gras, the Cajun Wharf's restaurants sponsored costume contests, with two free trips to the annual celebration as grand prizes. "We spend about $250,000 a year on entertainment," said Anderson.

Anderson plans to build two additional Cajun's Wharfs this year, but he won't expand his small corporate management staff or seek outside rollout or financial assistance until he's ready to move smaller regional market niches.

"We've made a tremendous amount of mistakes in the last 10 years like building a distribution center before we had anywhere to distribute to. Now, we feel we're positioned for steadier growth."

In April, Anderson will open a Gonzales and Gertrude's restaurant in Nashville, to go along with the original location in Memphis. The parent company also operates Shorty Small's restaurant in Little Rock.

ANDERSON'S CAJUN WHARF

(Fiscal Year Ended March 31)

	1982	1983	1984*
Systemwide Sales (In Millions)	$10.0	$12.0	$14.0
Net Profit (In Millions)	$2.0	$2.4	$2.8
Average Same Store Sales (In Millions)	$3.3	$4.0	$4.7
Average Per Person Check		$11	$12
Number of Units	2	3	5
% Menu Price Increase		7.9%	7.9%

Source: *NRN* Research

**NRN* Estimate

SECOND-TIER CHAINS

Distinctive, casual, European, but never 'big'

RITZ CARLTON

By Joe Edwards

ATLANTA—The eight-month-old Ritz-Carlton Hotel Company has set out to open what officials describe as a small group of distinctive hotels that combine European traditions of excellence with a casual, unpretentious American ambience.

There are two company hotels operating in Boston and suburban Atlanta and three licensed properties in New York, Chicago and Washington. A second Atlanta hotel opens this month on a downtown site across from the new Georgia-Pacific Tower.

Ritz-Carlton's first resort-hotel on a beachfront site in Laguna-Niguel Beach, Calif., is scheduled to open in June and ground will be broken later this month for a resort-hotel in Naples, Fla. Officials say there will be 15 Ritz-Carlton hotels by the end of 1988.

While not intended to compete in size with large hotel chains, Ritz-Carlton is trying to make a splash in selected markets by emphasizing quality and personalized service, according to several officials.

"We'll never be a big hotel company and we'll never run big hotels," declares Brent Christie, corporate food and beverage director. He identifies Ritz-Carlton's main competition as Four Seasons, Rosewood Hotels and some small independents.

Food service is playing an important role in Ritz-Carlton's strategy. Two main goals are gaining a share of the local restaurant and banquet market and attracting individual business travellers as guests. Ritz-Carlton hotels do not solicit convention business.

Before writing the menus for the two restaurants at the just-opened Ritz-Carlton in the Atlanta suburb of Buckhead, food and beverage officials conducted their own informal research into the local market.

What they found, according to Christie, were sophisticated residents and international travellers, a large number of quality restaurants and diverse culinary influences that included, but were not limited to, Southern regional and Creole food.

"We listened to what was going on and we asked a lot of questions but primarily we went to virtually every restaurant in the city and evaluated what they were doing," Christie recalls. "There are a lot of very good restaurants in Atlanta and it was easy to see what was popular."

When it came time to making decisions, Christie and his staff took some of the city's most popular dishes and "incorporated with them what is going on in Europe and what people like Alice Waters and Wolfgang Puck are doing on the West Coast."

Waters, chef-owner of Chez Panisse in Berkeley, Calif., and Puck, chef-owner of Spago and Chinois in Los Angeles, are leading practitioners of what is referred to as the new California or new American cuisine, which is based on fresh, native ingredients.

These influences can be seen on the menus at the two restaurants at the Ritz-Carlton in Buckhead, which are traditional enough to serve grilled swordfish, trendy enough to cook the swordfish over mesquite wood and innovative enough to feature such dishes as grilled calamari with fennel, lamb medallions on eggplant slices with tomato and basil sauce and veal in watercress sauce with mousse of shrimp.

"Atlantans like to experiment," Christie says. "It's an interesting city. There are a lot of northerners moving here and it's also a very international city. With that mix, we're finding a great acceptance with what we're doing."

As part of their strategy, Ritz-Carlton officials believe it is "essential to stay with tradition but we want to be innovators in our own way," Christie says. "In putting together menus, the foundation was classical but we incorporated American cuisine and a spinoff of the California cuisine using native American products."

Ritz-Carlton at Buckhead is a 583-room hotel with a 180-seat all-day restaurant called The Cafe and a 76-seat tablecloth restaurant called The Dining Room serving lunch and dinner. There are also several lounges and banquet rooms.

The Cafe, which reports a $14 average per-person food check at dinner, a $9 check at lunch and a $7 check at breakfast, was designed as an upscale, traditional restaurant with a contemporary flair, Christie says.

Menu items include calamari and fennel, tofu sandwiches, fresh chicken breast grilled with a mustard seed sauce, fresh smoked turkey breast and a spinach and hot goat cheese salad with walnut oil dressing. There is an imported beer list and champagne and wine

The 76-seat Dining Room, whose average checks are a bit steeper—$34 at dinner for food only and $16 at lunch—grills fresh fish over mesquite wood and also features American game dishes, including roast loin of wild boar with juniper berries. The restaurant makes its own seafood sausage, ice cream, sorbets and fresh fruit mousses.

As Ritz-Carlton opens new hotels it will adjust menus and decor to fit its markets. Most hotels will have a Cafe and Dining Room. The resort-hotel in California will feature classic Asian, American and Italian food in its tablecloth restaurant and The Cafe will have what Christie calls "a heavy California influence with a lot of fresh fruits, fresh seafood and native American products."

"We won't be a cookie cutter operation," Christie says. "We'll be in synch with the area we're involved in. We have to maintain the tradition one would expect in a Ritz-Carlton Hotel."

Deciding price points for the restaurants at the Buckhead property was difficult, Christie recalls, because "we felt that regardless of our name we had to earn the right to charge more. Our intent was not to come across as snobbish but as reasonable and competitive."

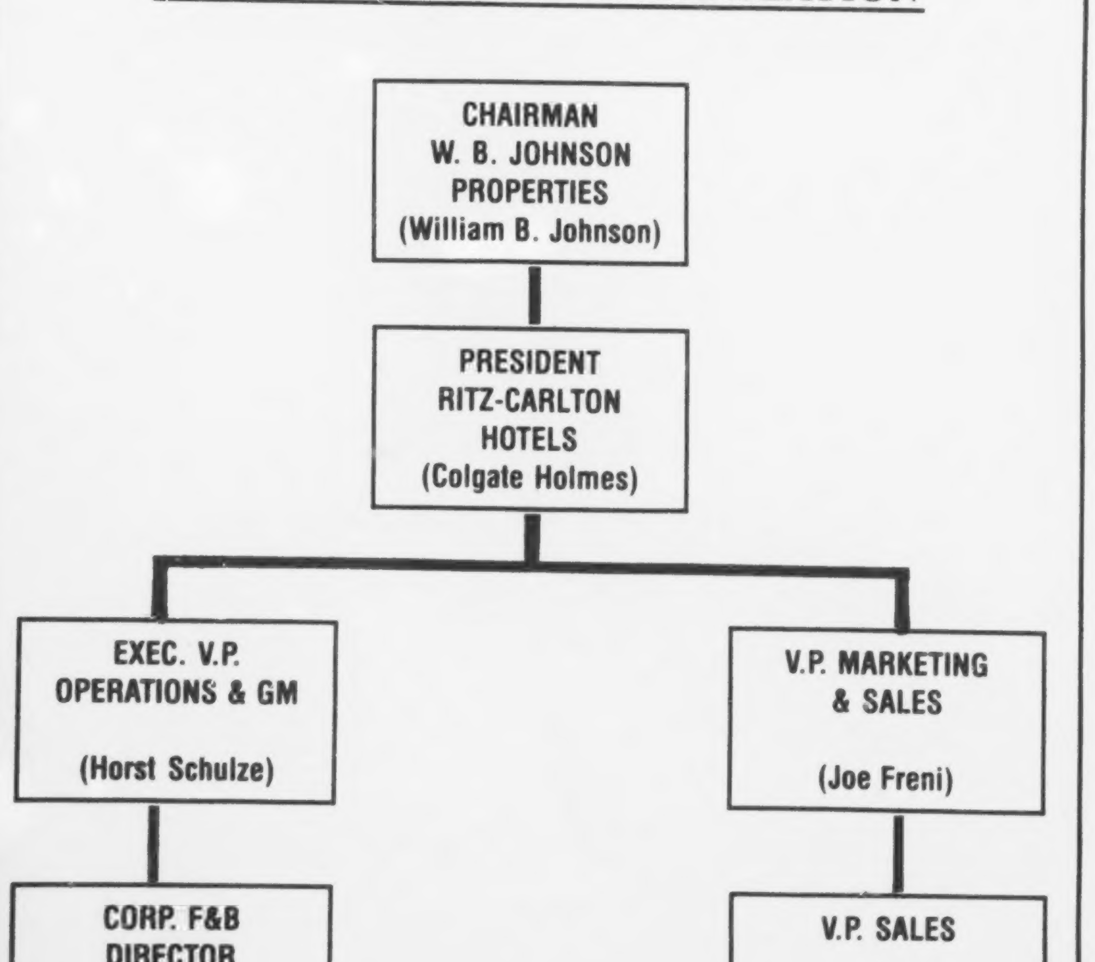
Christic projects $10 million food and beverage sales at the Ritz-Carlton in Buckhead during its first year, with about 40% of the total coming from banquets.

The Ritz-Carlton Hotel Company is a division of W. B. Johnson Properties, an Atlanta-based real estate management and development company whose holdings include franchised chain hotels and Waffle House coffee shops.

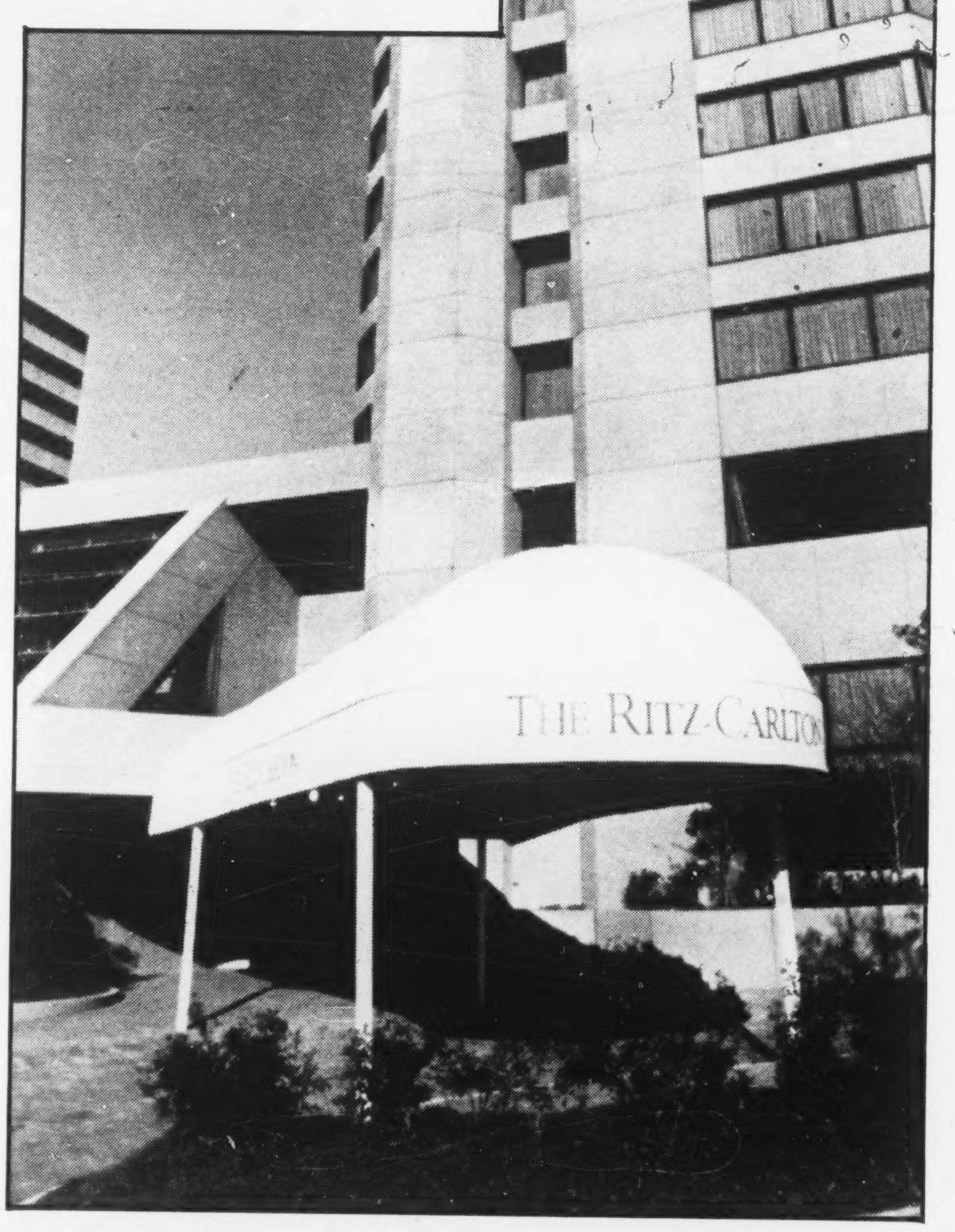
W. B. Johnson Properties, a privately held company, was in the process of developing a new chain of upscale hotels called Monarch Hotels when it acquired the stately Ritz-Carlton Hotel in Boston last June.

As part of the deal, Johnson Properties assumed the North American licensing rights to the prestigious Ritz-Carlton name. The company changed the name of its Monarch division to the Ritz-Carlton Hotel Company.

THE RITZ-CARLTON ORGANIZATION



Colgate Holmes



The Ritz-Carlton Buckhead, opened this past January.

At the time, Four Seasons Hotels and John B. Coleman & Co. were paying annual fees to the owners of the Ritz-Carlton Hotel in Boston for the rights to use the Ritz-Carlton name on their hotels. Four Seasons operates a Ritz-Carlton in Chicago and John B. Coleman & Co. operates Ritz-Carlton hotels in New York and Washington. Both companies are now licensees of Johnson's Ritz-Carlton Hotel Co.

A third company-owned Ritz-Carlton Hotel opens in downtown Atlanta later this month. It will have 472 rooms and food and beverage service that is similar to that at the Buckhead property.

William Johnson, chairman of Johnson Properties, last year hired Colgate Holmes, former president of Hyatt International, as president of his new hotel company.

Holmes recruited a former colleague, Horst Schulze, formerly food and beverage vice president at Hyatt, as corporate executive vice president of operations and general manager of the Ritz-Carlton in Buckhead.

Christie is also a Hyatt veteran, having supervised food and beverage operations at that chain's Texas hotels. Other top officials at Ritz-Carlton include Joe Freni, formerly of Omni International, who is corporate vice president of marketing and sales, and Ian Lloyd-Jones, formerly of Vista International, who is vice president of sales.

Christie says Ritz-Carlton, with its management team in place, doesn't intend "to go outside much longer for staffing. We feel we've assembled a good core of talented individuals and we'll be seeing a lot of promotion from within."

Ritz-Carlton officials are fond of noting that the company's goal is to operate hotels for the long term. "We want to create a great company that makes money through quality, not money through managing each dollar before we get it," Schulze explained in an interview last year. "We won't put a squeeze on a property if we get a bad month. Our philosophy is more long range."

To that end, W. B. Johnso has decided to retain at leas 50% equity in each hotel builds. "That gives us more control than companies that just manage properties for others," Christie says. "We believe quality will endure. We sincerely believe in doing it right, in maintaining quality and consistency."

SECOND-TIER CHAINS

40's decor, stylish menu propels growth in the 80's

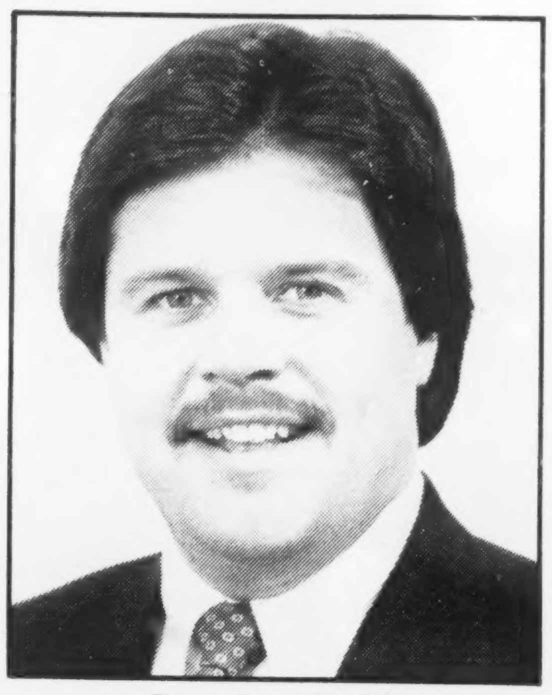
G. D. RITZY'S

By Rick Telberg

COLUMBUS, Ohio—G. D. Ritzy's is charting explosive expansion with a formula based on freshly grilled burgers and rich ice creams served in a 1940's malt shop setting.

The 3½-year-old company is challenging the industry giants with a rapid growth rate and attention-grabbing innovation.

"We're the first of the specialty fast-food concepts," declares Graydon Webb, the 35-year-old founder, chairman and chief executive. "We're blending fast food with upscale burgers."



Graydon Webb

Ritzy's target market is the baby-boom generation which grew up on McDonald's and Kentucky Fried Chicken, but now demands a stylish departure in food and ambience.

Ritzy's finished fiscal 1983 in December with a deficit of $809,000, trimmed from a $993,000 net loss in 1982. Yearlong revenue was up, however, to $9 million, a 201% gain from the year before.

There were 58 outlets open, 32 of them franchised. By the end of this year, there could well be 160 restaurants as franchisees build 75 more.

Webb has gathered a crew of disaffected Wendy's executives, many of whom were in on the earliest days of Wendy's triumphs. That group is balanced by three top executives with deep experience in operating large organizations.

The company was nursed to life by venture capital from the Ohio state pension fund and two public offerings. In the close-knit Columbus restaurant scene reports persist that Wendy's has more than a passing interest in Ritzy's, though both teams deny it.

The prototype 60-seat freestanding unit, which measures a compact 1,500 sq. ft. is grossing an average about $600,000 a year. That's low, but on an initial outlay of $500,000 there is plenty of room for margins.

The ambience is "generic nostalgia," according to marketing vice president Thomas Santor. "Everybody's been into a G. D. Ritzy's at one time or another, only they never noticed it," Santor says.

With white-tiled floors, marbled formica counter tops, art deco styling and artifacts of the 1940's and 1950's such as teardrop-shaped Seeburg speakers and enamel-plated soft drink signs, a G. D. Ritzy's restaurant evokes a startling sense of the kitschy American roadside diner.

The chain is one of the newest incarnations of the fast-food format that caters to a fad-conscious clientele.

But where the new breed of fast-service upscale burger concepts woos with liquor, G. D. Ritzy's offers superpremium ice cream.

Now pulling about 40% of sales, ice cream smooths out the day for G. D. Ritzy's, luring half of the operation's traffic in the normally torpid midafternoons and late evenings.

Ice cream also dramatically boosts customer frequency rates, drawing the diner back six to seven times a month. By comparison, McDonald's wins four visits a month and Wendy's and Burger King do about three.

Ice cream also adds a second potential cash cow. In several Columbus supermarkets, Ritzy's pints are outselling Häagen-Dazs 2-to-1. Executives are considering licensing the name for candies and other desserts.

Ice cream builds the check average, too. After the $3 food and drink bill, customers queue up for a $1 cone or milkshake tab. Averaged together, checks run about $3.15.

The menu is anchored by burgers which gobble a 22% share of sales. Natural-casing hotdogs, called Coneys, take 15% and chili takes about 6%.

A signature peanut-butter-and-jelly sandwich, which comes with sliced fresh strawberries and crushed peanuts, completes the image of all-American food, though PB&J's account for a negligible slice of sales.

Burgers made from 3-oz. plugs are smashed onto a hot 350° grill for 90 seconds until the edges are seared to a caramelized char. They are closest in inspiration, Webb admits, to Steak n Shake's mainline offering.

A step-saving kitchen layout holds down construction costs and merchandises the menu with open-to-view cooking. But it can get cramped and hot, especially at peak periods. The aisles on either side of the two-sided grill are a narrow 32 inches.

But diners see the burger or hotdog they ordered slapped onto the grill and never lose sight of it as it moves down the line to their plates.

"Our customers call it 'hand-crafting,'" Santor says. "They see the burger put on the grill when they order and they say to themselves: 'That one's for me.'"

Investors seem to be saying "that's for me" as well. Franchisees have signed up to build over 700 units in the next 10 years.

"The reason is return on investment," says George Banning, an early financial angel for G. D. Ritzy's who now sits on the company's board. "I can do less volume and still make money because it costs me less than $400,000 to build."

G. D. Ritzy's strategic planners changed their development plan in mid-1983, scrapping plans to grow concentrically for a hop-scotching "key market" assault.

Franchises, of course, are easier to sell that way. But, also, the concept's low investment means a new market can be saturated quickly, obviating the need to win advertising efficiencies step-by-step.

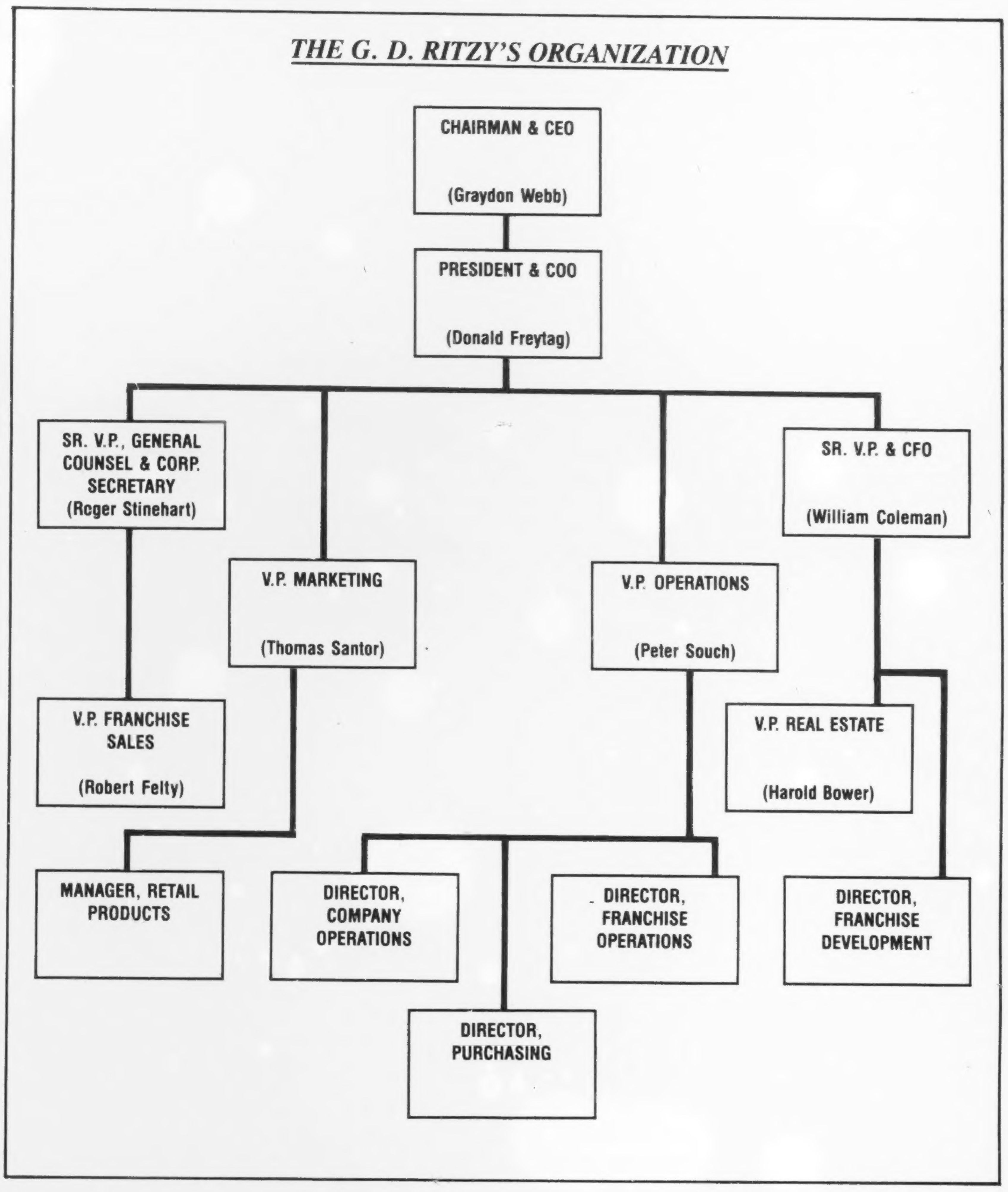
Research and development efforts are taking aim at the concept's male-skewed clientele. Vegetable dishes such as broccoli and cauliflower in steamed butter or cheese sauce are in test.

"It takes 90 seconds to cook a burger," Santor says. "We're trying to figure out what we can serve in that time."

One store is also testing a new price system for the ice cream line. Currently it is a two-tier system: Traditional flavors are termed "select" while more exotic flavors such as butter-pecan-cashew "elite" brands are priced at about 10¢ more. The experiment tests whether it's better just to average the price of the two lines.

G. D. Ritzy's has the equipment to expand into breakfast eventually, but there is little room left in the kitchens to add new hardware. Baked potatoes, for instance, are out of the question since they would require convection ovens.

THE G. D. RITZY'S ORGANIZATION



G. D. RITZY'S

(Fiscal Year Ended December)

	1981	1982	1983	1984*
Systemwide Sales	$593,000	$2.99M	$13.1M	$40.0M
Net Profit (Loss)	($376,000)	($993,000)	($809,000)	$2.0M
Average Same Store Sales			$600,000	$650,000
Average Per Person Check	$2.90	$3.10	$3.15	$3.15
Number of Units	4	10	58	160
% Menu Price Increase			6.0%	

Source: *NRN* research

**NRN* Estimate

G. D. Ritzy's
Luxury Grill & Ice Cream

With 58 G. D. Ritzy's units currently open, there is the possibility the company will open 100 more by the end of 1984.

SECOND-TIER CHAINS

Higher-profit buffet restaurants prime component of growth plans

PANCHO'S

FORT WORTH—Pancho's Mexican Buffet, operator of three Mexican-style restaurant concepts, is gearing investment cash and management development to back evolution of its higher-profit Pancho's buffet restaurants, while holding the reins tight on two full-service concepts.

At present the Fort Worth-based company operates in the Sunbelt 29 Pancho's Mexican Buffets, three Spanish Galleon seafood restaurants, and two Emiliano's upscale Mexican restaurants. Company officials said they hope to open four to six Pancho's this year and 20 in the next three years.

Other elements of the plan, company president and chief executive officer Hollis Taylor said are expansion of warehouse and cold storage facilities to handle four times the present volume, an aggressive search to hire competent supervisory personnel at the unit level, expansion and remodeling of corporate headquarters and construction of new units according to two new prototypes for store design.

The design now being implemented is for a shopping center space. It is quite different from the older Pancho's units, Taylor said, being much brighter, smaller and airier. Average size is 6,000 sq. ft. The other design is for a freestanding building.

Most of Pancho's growth will be fueled by cash flow. Taylor said bank financing was available and sales leasebacks might be tried. As a backup, the company, which has been public since 1969, could make another stock offering.

"We look at stock offerings periodically," Taylor said. "This year we looked at it strongly but didn't elect to do it. We'll finance short-term out of cash."

In the first quarter this year, ended Dec. 31, Pancho's posted net profit of $206,199, a 20% increase over last year, on revenue totaling $6.9 million, a 16% jump. Long-term debt had more than doubled to $681,025 from the previous quarter, and working capital had increased 44% to $248,223.

Although volumes are higher at the Spanish Galleon and Emiliano's restaurants, profits are made at the Pancho's. Taylor said Pancho's represent a "unique groove" in food service, somewhere in between fast-food and sit-down service." They are set up like cafeterias but some other services are provided: waitresses bring refills, bread and other extras and checks.

Pancho's most popular item—the one which it promotes most heavily—is its $3.99 all-you-can-eat meal. (A similar offer for children ages 6 to 12 is $1.99 and children aged 5 and under eat free.) The most recent menu addition was a taco salad, a light meal to build lunchtime traffic, for about $1.99. The average per-person check is $4.25, including drinks. Food costs range between 27% and 29% of sales.

Demographic studies show that the Pancho's customer is a blue-collar or younger white-collar worker, often with a family. According to Taylor, the customer counts are up. Stores are targeted toward high-density, suburban areas.

PANCHO'S MEXICAN BUFFETS

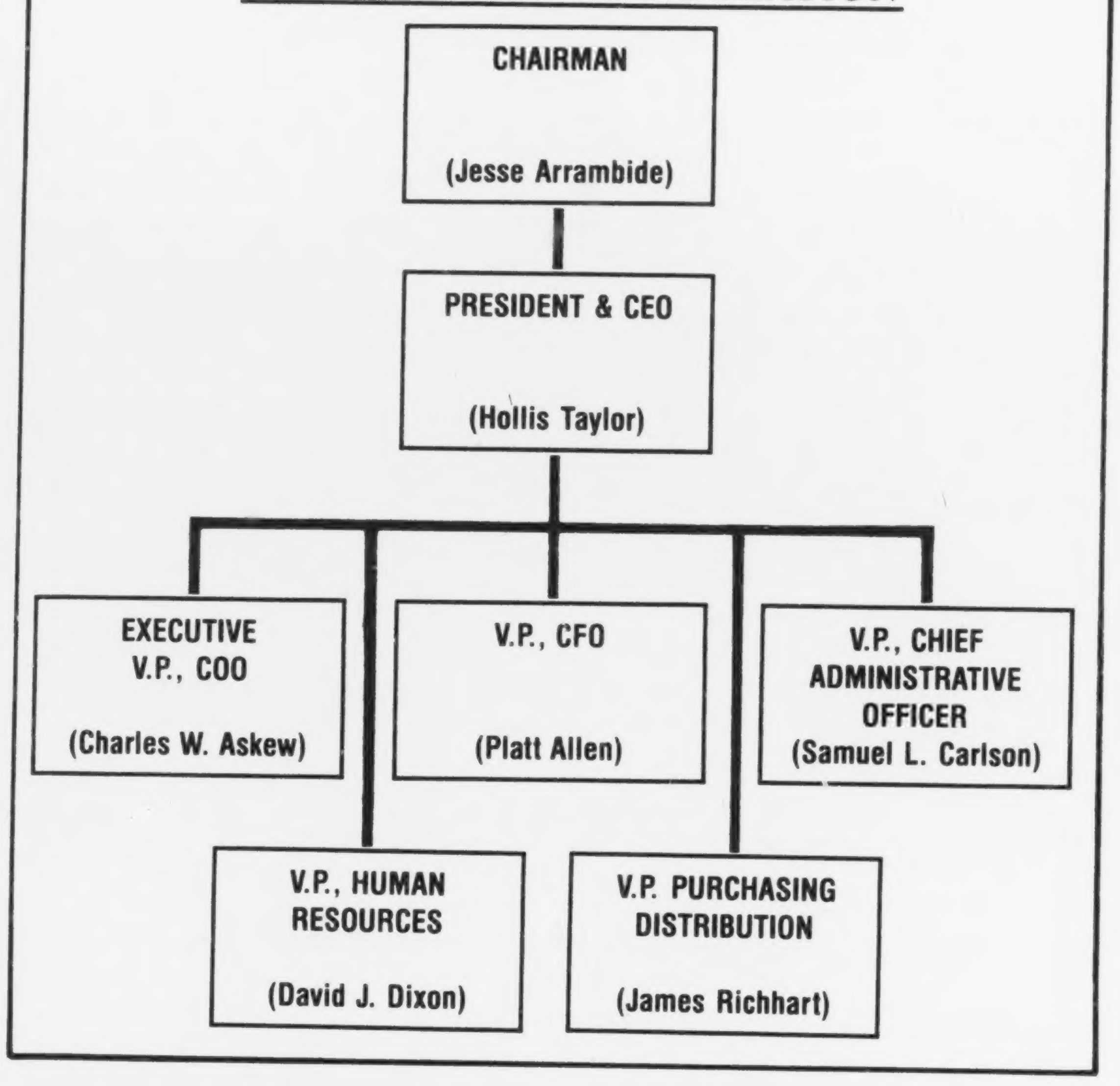
(Fiscal Year Ended Sept. 30)

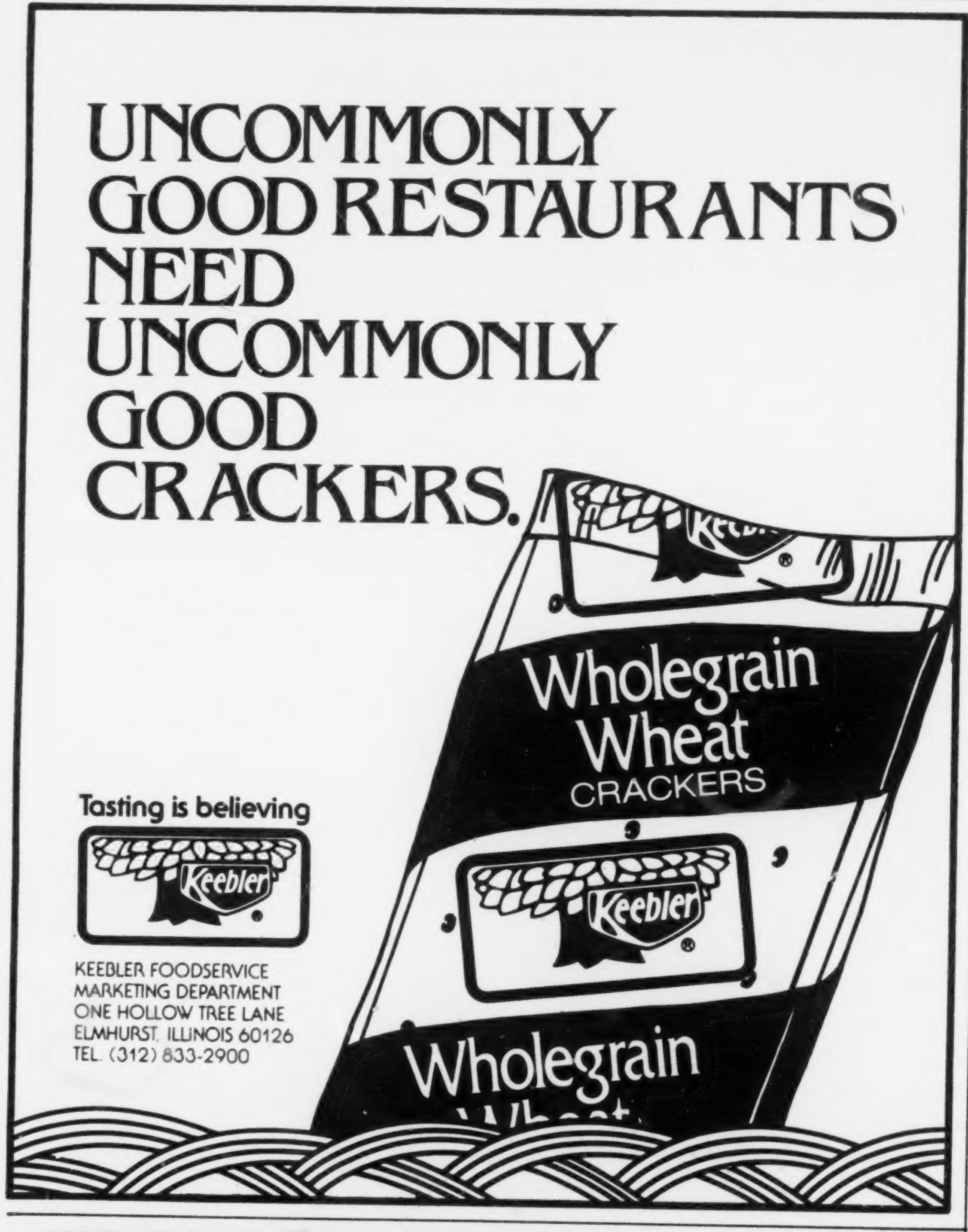
	1981	1982	1983
Sales (In Millions)	$21.6	$24.2	$25.3
Average Unit Volume*	$666,000	$726,000	$775,000
Average Per Person Check*	$3.70	$3.80	$4.00
Net Profit	$631,000	$827,000	$1,164,000
Number of Units	28	28	34
% Menu Price Increase*	2.7%	5.5%	5.2%

Source: *NRN* Research

*Figures refer to Pancho's Mexican Buffet restaurants only

THE PANCHO'S ORGANIZATION

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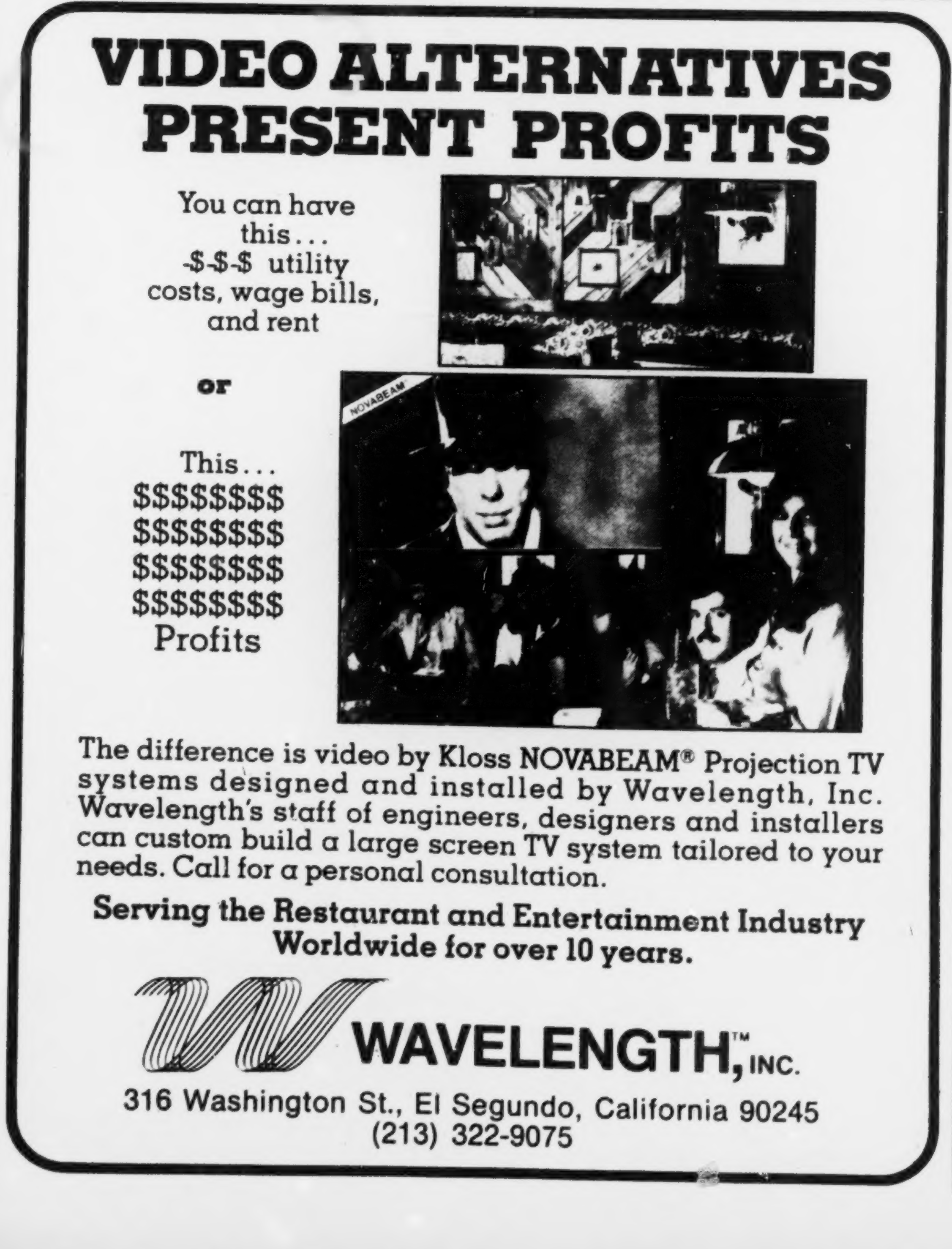
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Deep dish in hand, Rocky Rococo targets 200% growth rate for 1985

ROCKY ROCOCO

MADISON, Wis.—Wayne Mosley, chief operating officer of the 23-unit Rocky Rococo pizza chain, and partner-chairman Roger Brown started 10 years ago with the introduction of Chicago-style deep-dish pan pizza to this university community.

From these initial college-based demographics, they are now set to expand in a four-state Midwestern area (Wisconsin, Illinois, Iowa and Minnesota). By the end of the fiscal year in March 1985, they hope to have added 43 stores to the system.

Rocky Rococo still offers only deep-dish pizza, but with six toppings and two crusts—whole wheat or white dough. Pie prices range from $3.50 to $11.50.

Forty-five per cent of total sales are registered before 5 p.m. That is primarily due to heavy demand for slices, priced from $1.25 to $1.49. Besides beer and soft drinks the only other regular menu item is the 22-ingredient salad bar ($1.39 with another purchase, $1.69 for a single serving, and $2.49 for all you can eat). Sandwiches are in test. Delivery accounts for 13% of business and sit-down dining for 70%.

Because so much of the chain's business is at lunchtime, pricing tends to be driven by the meal part as well as by market area. Prices are designed to be competitive with the hamburger chains, since Mosley feels they are the biggest competitors at lunch. Prices for whole pizzas are more market-driven and are set below those of the major chains. An average check is $3.17—lower than many pizza chains because of the large traffic in slices. Food costs are maintained at about 32.5% of sales. Because of stability in costs, menu prices went up only 2.5% this year.

Systemwide sales for the fiscal year ended this month were $12.2 million.

Discounts on menu items are given thorough direct-mail promotions to stimulate trial, but Mosley says the chain tries to limit the amount of dealing to under 10% of sales.

At present only three of the chain's 23 units are franchised, but executives are aiming for an 80%-to-20% franchised store/company store ratio. Of the 43 units expected to be added in the next 12 months, 32 would be franchised.

Three franchise companies are operating stores now, and four others have been signed up. One franchisee recently made a private placement of stock. Sale leasebacks and bank

(Continued on page 145)

ROCKY ROCOCO

(Fiscal Year Ended March 31)

	1983	1984	1985*
Systemwide Sales (In Millions)	$7.5	$12.2	$26.9
Average Same Store Sales (Units Open 1 Yr.)	$596,884	$663,867	$724,478
Number of Units	11	23	66
Average Per Person Check	$3.09	$3.17	$3.21
% Menu Price Increase	5.5%	2.5%	2.5%

Source: *NRN* Research

*Projected

SECOND-TIER CHAINS

New fall product rollout could inflate flat counts

NOBLE ROMAN

By Don Jeffrey

BLOOMINGTON, Ind.—With its customer count trend flat during one of the worst winters to strike the American heartland, Noble Roman's pizza chain is looking forward to the introduction of a new product in the fall to move the curve up again.

Although the company won't disclose what that product will be, Noble Roman's is clearly hoping that it will provide the big new burst in sales that the introduction of its heavy-on-the-toppings Monster pizza provided during the depths of the recession several years ago.

Meanwhile, this 78-unit chain is proceeding with an ambitious growth plan: 16 new company-owned and 40 new franchised units by year's end. Target markets are in 10 Midwestern states and Florida.

Growth has been fueled by two public stock offerings since December 1982. Money raised there plus income generated from profits takes care of company-store expansion needs.

Spiro Athanas, marketing vice president, said the company has not had to seek out top rollout executives for the implementation of its growth plan because its own executive staff is mature and stable. A stock-option plan was just initiated for top executives and bonus plans have been in effect down to the unit manager level.

Noble Roman, for this year at least, is not straying too far out of its Midwestern orbit. Its emphasis is on market penetration, as it has now in an area such as Dayton. Penetration leads to the high exposure TV advertising Athanas said is necessary for top-of-the-line awareness. Sales went up 30% in Dayton in a year because of advertising, he said.

The chain started in 1969 in the college town of Bloomington, where students and townies were served deep-dish Sicilian pizzas and regular thin-crust pizzas hand-tossed by founder and now chairman Stephen Huse. In 1980 the round Monster, with three times the normal amount cheese, was added.

A sample of pizza products and prices: Hand-tossed 10-in., cheese only, $3.58, one topping, $4.62; hand-tossed 14-in., cheese, $6.78, one topping, $8.19; monster 10-in., add $1.49 to regular price, 14-in., add $1.99; Sicilian 8- by 10-in., $5.19 with cheese, $6.51 with another topping, Sicilian 10- by 12-in., $8.31 with cheese, $10.15 with another topping. An average check is about $7.50.

Prices are determined by a mix of the one- and two-topping pizzas. Those are priced for profitability. Value prices are set on the special pizzas or the ones with several toppings. Cost and market pressures bear on pricing but Athanas said the chain is "cautious about raising prices" because of "some price resistance" since 1980.

Pizza accounts for about 80% of food sales, salad bar close to 8%, bread sticks (pizza dough with a spicy cheese dip), 8% and sandwiches and pastas, about 4%.

Since 1978 Noble Roman has had a small lunchtime pizza for one person. Athanas said Pizza Hut's recent rollout of its lunch product Personal Pan Pizza has helped sales in his units because Pizza Hut's generic advertising has boosted awareness of pizza as a lunchtime alternative. Noble Roman, unlike Pizza Hut, offers all three kinds of pizza in the individual size. Lunch accounts for 27% to 30% of sales.

The new product set for the fall will likely be tested in Noble Roman's three flagship stores in Bloomington. Tests gener-

(Continued on page 146)

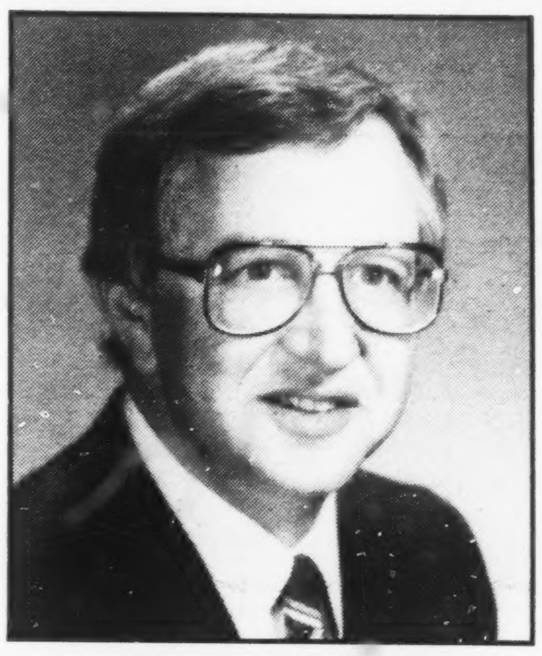
NOBLE ROMAN'S

(Fiscal Year Ended Dec. 31)

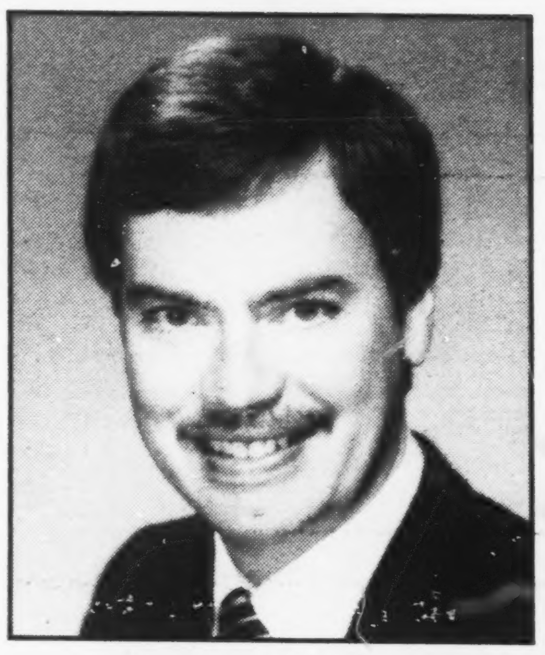
	1981	1982	1983
Systemwide Sales (In Millions)	$24.0	$25.5	$29.0
Net Profit	$316,000	$295,000	$350,000*
Average Unit Volume	$479,000	$458,000	$455,000
Company Revenues (In Millions)	$9.0	$10.0	$11.7
Average Check	$6.90	$7.00	$7.50
Number of Units	55	58	78

Source: *NRN* Research

*Estimated



Paul W. Mobley
president, ceo



Stephen M. Huse
founder, chairman

MENU
Noble Roman's
PIZZA

Noble Roman's 7-in. Lite Size pizza has helped the chain improve lunch sales, now averaging 27% to 30% of sales.

Target: 43 new stores by March '85

ROCKY ROCOCO

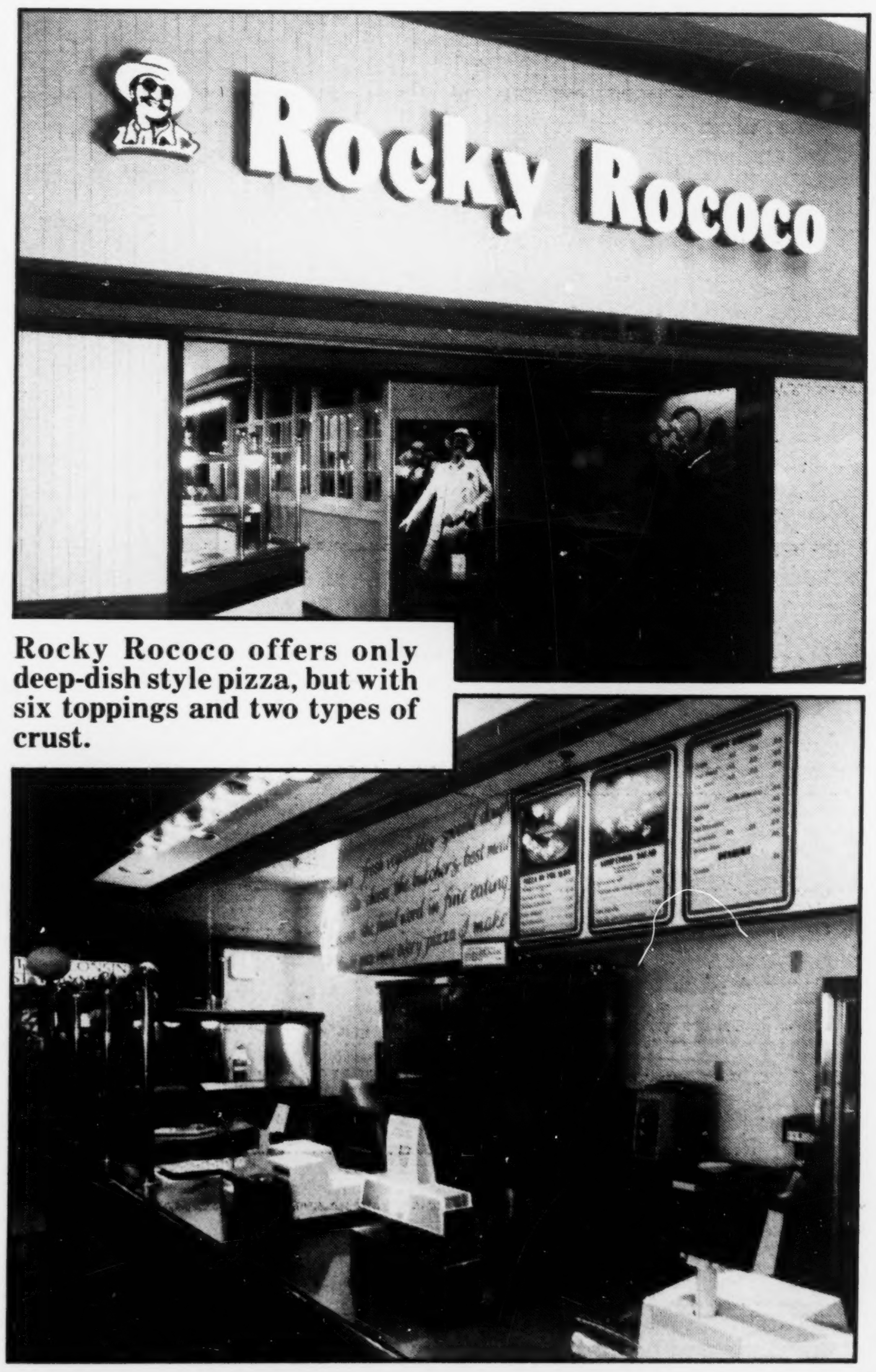
(Continued from page 144)

financing are anticipated means by which franchisees will develop territories. Mosley says company-store growth will be fueled in good measure from profits. He says going public is an "alternative" but that there is no plan to do so now. Continued profitability and an aggressive territorial approach to franchising, he believes, will keep growth at its projected high rate.

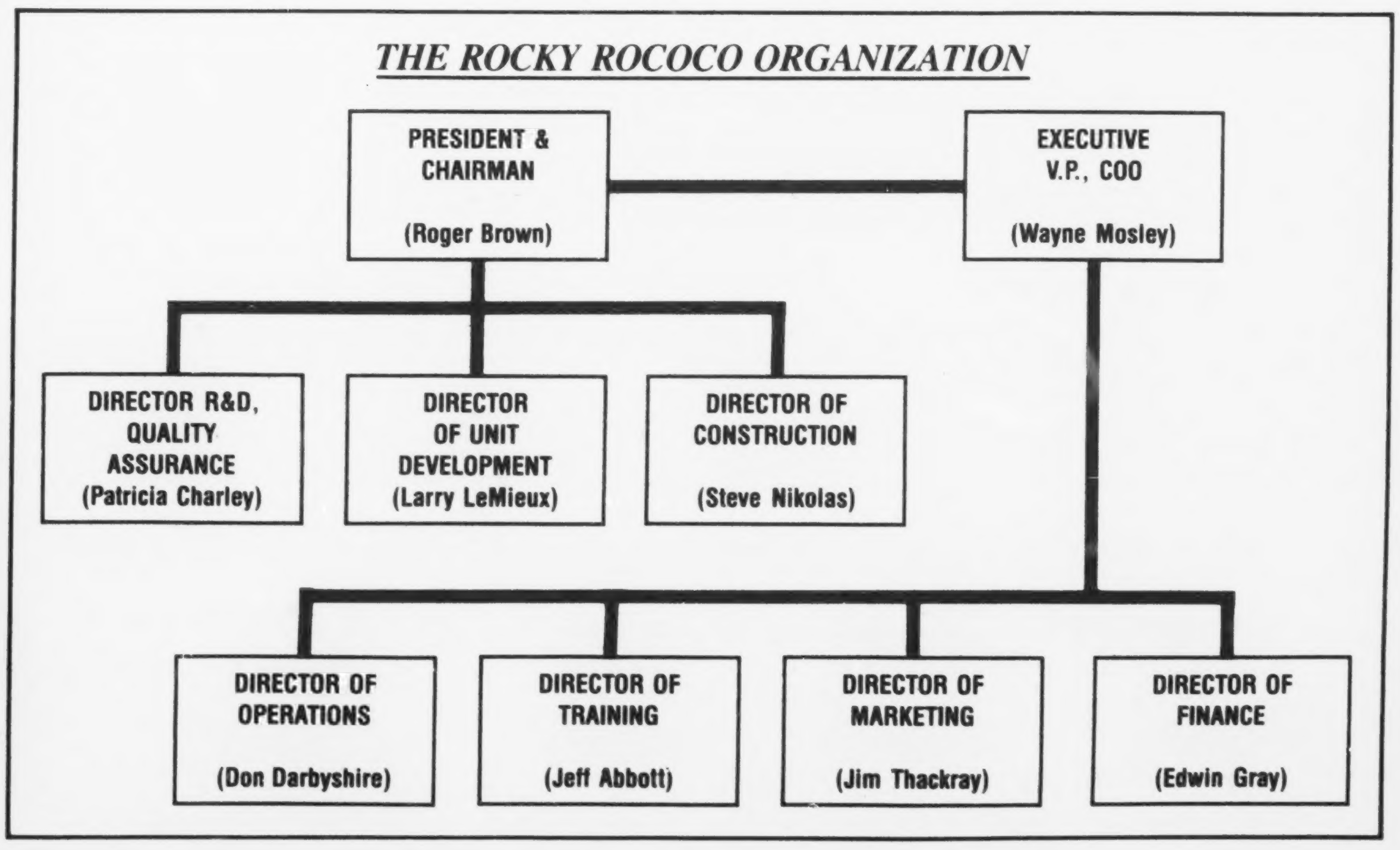
To guide that growth, Rocky Rococo has hired executives who will focus on unit development. In an unusual step for such a small chain it has recruited four professionals in the fields of construction and real estate who will be available to assist franchisees.

Distribution is not expected to present problems as the chain triples in size this year. Mosley says the philosophy on distribution is to "keep it as simple as you can." He says the chain has benefited from an 8½-year relationship with one distributor. Franchisees will be encouraged to use the company's increasing purchasing power.

Mosley, a 37-year-old law school graduate, and Brown, a 36-year-old economics major, were at the University of Illinois when they decided to be partners in the pizza business.



Rocky Rococo offers only deep-dish style pizza, but with six toppings and two types of crust.


PRESIDENT & CHAIRMAN (Roger Brown)
EXECUTIVE V.P., COO (Wayne Mosley)
DIRECTOR R&D, QUALITY ASSURANCE (Patricia Charley)
DIRECTOR OF UNIT DEVELOPMENT (Larry LeMieux)
DIRECTOR OF CONSTRUCTION (Steve Nikolas)
DIRECTOR OF OPERATIONS (Don Darbyshire)
DIRECTOR OF TRAINING (Jeff Abbott)
DIRECTOR OF MARKETING (Jim Thackray)
DIRECTOR OF FINANCE (Edwin Gray)

THE ROCKY ROCOCO ORGANIZATION

SECOND-TIER CHAINS

Fat profit potential seen in reduced-calorie fare

D'LITES

ATLANTA—D'Lites of America intends to keep hammering away at the market and menu niches it began to carve out in 1981—nutritious, reduced-calorie fare served to traditional fast-food customers eager for an alternative to the standard hamburger and french fries.

The privately held, six-unit chain should grow to 60 stores, primarily in the Southeast, this year, said D'Lites founder and chairman Douglas Sheley, a former franchisee of 18 Wendy's stores in Knoxville, Tenn.

Since opening on Atlanta's Peachtree Road in December 1981, the D'Lites pilot unit has taken a substantial bite out of McDonald's, Wendy's and Burger King's combined local market share and volume, Sheley claims.

The prototype 112-seat, 3,000-sq.-ft. freestanding unit is generating $1.2 million in annual sales, while the second store, opened in November 1982 on Savoy Drive in North DeKalb, produced in excess of $1.1 million in fiscal 1983. Systemwide pretax profits are running at 20% to 21%, while food costs average 32% of sales and labor costs 20% of sales. The average per-person check is slightly under $3.

"Our first store is located on a business district strip next to the high-volume, fast-food chains, and our combined sales continue to increase by more than 20% over the preceding year," said Sheley.

The combination of an exciting, fast-growing concept for the 1980's coupled with generous management and labor compensation plans has been attracting qualified multiunit franchise operators and capable employees, according to Sheley. "We've tried to break down the division between management and labor by making everyone partners," he said. "We divide up 4% of profits among our management staff on a per-store basis, and our base pay is one of the highest in fast food because our volumes are so high."

The heart of the D'Lites concept is its menu, high in nutrition and protein and low in calories, saturated fats, carbohydrates and cholesterols. For instance, D'Lites offers lean ground beef on high-fiber buns. The ground chuck contains 20% fat, compared to the 25% to 30% fat content of a normal hamburger. The white or whole wheat multigrain buns contain 25% fewer calories than regular buns.

The standard D'Lites item has 150 to 200 fewer calories than the fast-food competition's; the typical D'Lites meal contains 400 to 500 fewer calories. "People are more nutrition, weight and health-conscious today. D'Lites is positioned to be to the fast-food industry what light beers are to the beer industry," claimed Sheley.

. D'Lites "lite" menu selections also include chicken breast and fish fillet sandwiches ($1.69 and $1.49 respectively), a 97% lean hot ham 'n' lite cheese sandwich ($1.79), a vegetarian sandwich served in whole wheat pocket bread ($1.49), an all-natural salad bar ($2.29), "lite" soup ($1.14), and a frozen dairy dessert with 40% fewer calories and 75% less cholesterol than ice cream (89¢). D'Lites "lite" cheese and mayonnaise contain 50% fewer calories than the full-calorie versions.

A calorie-counter chart on the D'Lites menu lists the amount of calories, carbohydrates, fat, protein and vitamins in each dish. A calorie comparison chart documents the calorie intake differential between D'Lites fast-food meals and those of the competition.

After researching consumer demands, D'Lites is considering adding "lite" breakfast offerings and several new entree items like Chicken Italiano and Chicken Parmesan to its lunch and dinner menu mix. "We're trying to disguise current menu items and turn them into entrees in order to cut into the roadside diner business we're losing," said Sheley. D'Lites is experiencing 800 to 900 daily customer counts per unit, a 15% increase over last year, according to Sheley.

Despite its concentration on reduced calorie items, D'Lites doesn't overlook the fast-food purist. "You can order baked potatoes or french fries, sparkling apple juice, regular or sugar-free soda and "lite" or regular salad dressings," said Sheley. "We give our customers many alternatives and reasonable choices." D'Lites target customer is a 30- to 40-year-old upscale junior executive in the $25,000 to $40,000 income range, a baby-boomer who's outgrown traditional fast food.

"To determine our price points, we look at industry averages," said Sheley. "Right now, we're selling only about 25% hamburgers, 9% chicken, 3% fish, 3% vegetarian sandwich and 4% ham. The chicken, ham, vegetable and fish dishes help dilute our food costs.

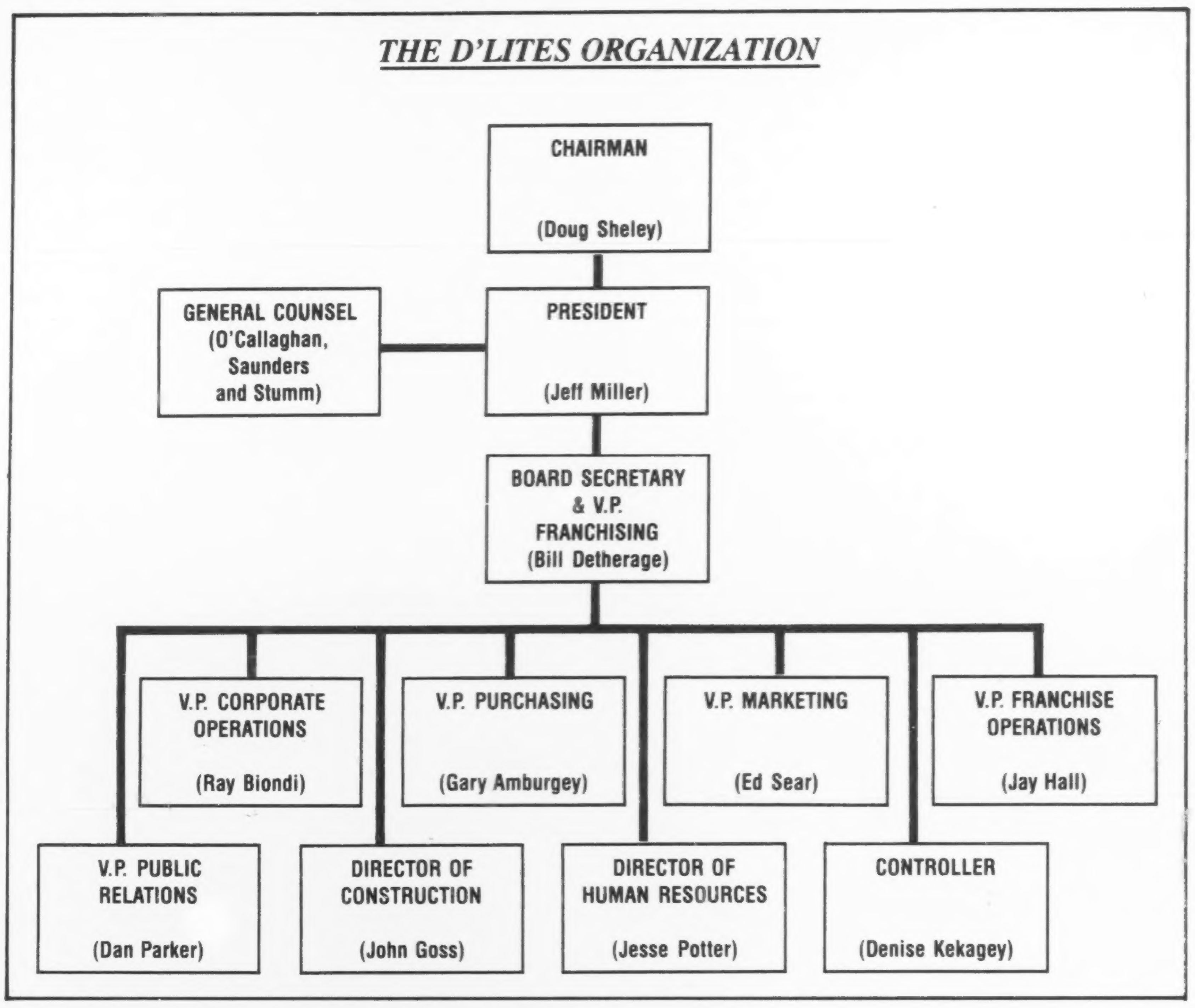
"It's very difficult to keep decent food costs with a limited food concept of hamburger, french fries and soda. Soon, all the major fast-food chains will have to address the trend toward nutritional, low-calorie fast food."

To maintain its hoped-for ratio of 90% franchised stores and 10% company-owned and operated, D'Lites is investigating several forms of expansion capitalization, including a public offering. "Right now, we don't have a need for immediate capitalization because we have $6.5 million to $7 million of our own cash to keep the 10% company-owned ratio," said D'Lites president, Jeff Miller.

D'Lites has just signed an agreement to build 450 franchised stores in cities like Atlanta, Tampa, Jacksonville, Nashville, Charlotte, Houston, Phoenix, Tucson and possibly Dallas, Boston and New York. Fifteen company-owned stores are planned for Denver. "It's slow growth compared to Wendy's, which opened 572 restaurants one year, but I think it represents an aggressive growth pattern," Sheley said.

The company's franchise fee is $25,000 per unit, according to Dan Parker, a D'Lites vice president.

THE D'LITES ORGANIZATION



D'Lites plans to grow from six units to 60 by the end of '84. Expansion would be primarily in the Southeast.

D'LITES

(Fiscal Year Ended March 31)

	1982	1983	1984*
Systemwide Sales (In Millions)	$1.5	$4.5	$8
Net Profit			$500,000
Average Same Store Sales (In Millions)	$1	$1.2	$1.2
Average Per Person Check	$1.95	$2.05	$2.05
Number of Units	2	4	60
% Menu Price Increase	6%	6%	6%

Source: *NRN* Research *Projected

New fall product rollout could inflate flat counts

NOBLE ROMAN

(Continued from page 145)

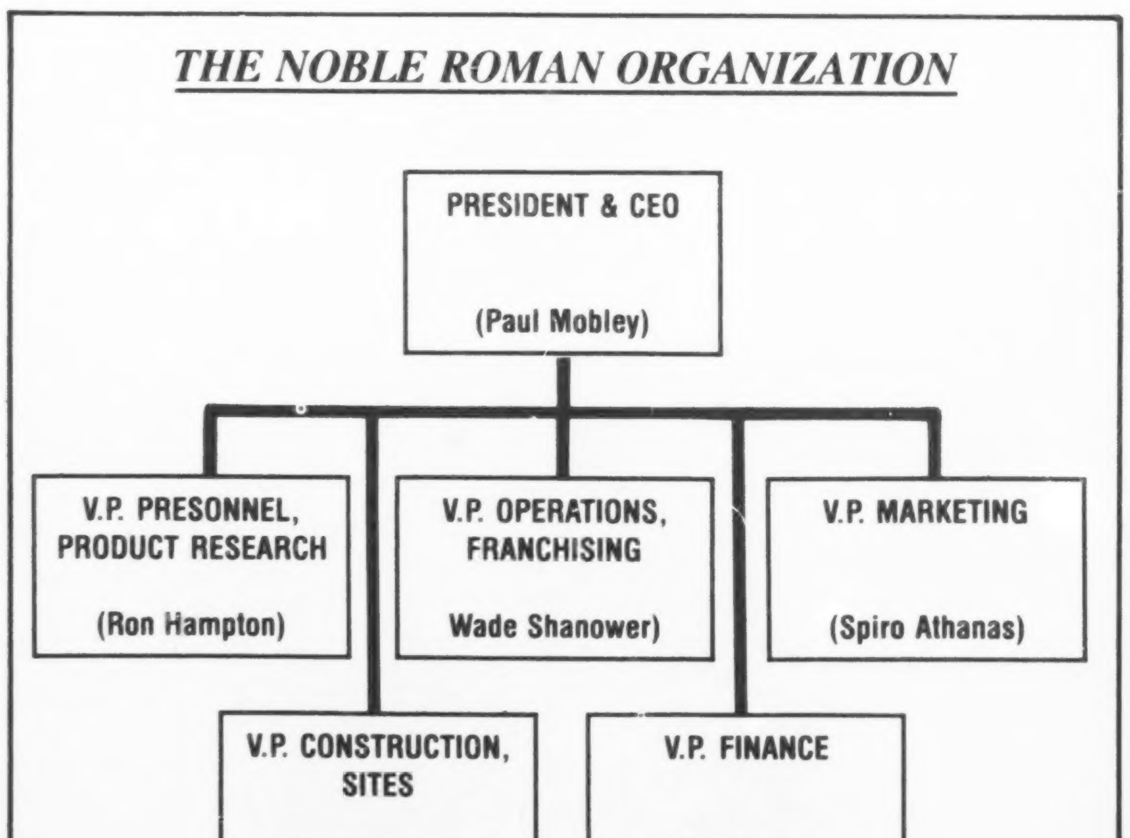
ally take six months to a year. The customer base there is now about 50% students, 50% year-round residents.

When Noble Roman was small, a local Indianapolis distributor handled most of its needs, but as it has grown throughout the Midwest, it has contracted with the largest supplier of cheese in the country for all its products except fresh produce.

Despite the flatness in the customer count trend, the chain reports that its repeat business is good. A survey showed that the average customer makes 2.5 visits to a Noble Roman unit each month.

Athanas, who handles demographic research for the chain, said he undertook a survey to determine "what makes our good stores good." He said he found that the stores which had the most competition from other chains in a three-mile radius were the best performers.

THE NOBLE ROMAN ORGANIZATION



SECOND-TIER CHAINS

The rural, country store approach to dining grows

CRACKER BARREL

LEBANON, Tenn.—The Cracker Barrel Old Country Store, with a total of 32 units in the Southeastern United States, has used a menu of regional specialties to achieve a stronghold on the family-dinner business here.

The country store motif is used in the 175-seat restaurants and a gift shop featuring rural style reproductions of glassware, wrought iron products, toys, soaps, woodcrafts, candles and food products such as cheeses, preserves, maple syrup, smoked sausages and candies. In the restaurant, the menu revolves around country ham served in ham-and-biscuits, ham sandwiches and ham-and-egg breakfasts. While ham accounts for 12% of the menu, other signature dishes include an all-day country breakfast for $4.65, buttermilk pancakes with real butter and pure maple syrup for $2.50, country dinner plates for $2.95 and numerous side dishes.

Almost 30% of business is done in country dinner plates which feature a choice of entree, two vegetables, buttermilk biscuits or corn muffins and real butter for $2.95. Entrees include homemade chicken and dumplings, hickory smoked pork barbecue or chicken breast filet. Vegetables include breaded fried okra, brown rice, turnip greens, whole baby carrots, pinto beans and buttered corn.

The remainder of the menu includes eight sandwiches, ranging from a hamburger ($1.65) to a catfish sandwich ($2). Desserts center around four fruit cobblers, bread pudding and molasses and ice cream.

A 20% to 25% growth rate over the past 10 years has been sustained by two public offerings, raising $5 million in 1981 and $9.2 million in March of 1983. Going public gave the company "more flexibility" according to John Hayes, chief financial officer. Many of the units had been leased up until 1981 and growth was dependent upon debt financing when interest rates were high. The company favored going public as opposed to franchising because of a fear that the company would not have "quality of management," in franchised units.

Instead they grew slowly, adding two to three units per year in five states: Tennessee, Kentucky, South Carolina, Georgia and Alabama. This year six units were added and seven are planned for 1985.

Management needs are satisfied through a program of training which begins by identifying the kind of manager Cracker Barrel is interested in. Applicants are given an elaborate personality and intelligence test. Those who successfully pass the screening go on to a 16-week training school.

"We're looking for a certain kind of person to manage a Cracker Barrel," says Hayes. "We want people who will stick around and don't want to set the world on fire. You can't be overconfident and you can't need a lot of affection. There isn't a lot of affection in this business."

The company recently came up with a manager profile for Cracker Barrel. The average manager is 35 years old, has been with the company four years and has five years of restaurant experience. They have attended college and make an average $35,000 per year.

No one actually becomes a manager straight out of training school. After graduating from the 16-week class the 30 or so who graduate each year become associate managers. Two to three associate managers in each unit are adequate to assure them a 40-hour work week and most stay in the associate position for 18 months to two years before "bidding" on a new or vacant store.

To become a unit manager, Cracker Barrel has existing managers and associate managers actually bid a dollar figure on the "ownership" of an unmanaged store. The higher bidder "wins" the management of the store and is expected to make the store "their own." The dollar-figure bid by managers and associates in competition is not money the managers own. It is potential dollars from the company's management bonus of 10% of pretax income. Managers forgo their bonus until they have fulfilled the amount they bid, typically one year of bonus checks.

The strength of such a system is that turnover is low—managers seem to feel they have a greater control of their destiny since the only time they are moved is when they voluntarily choose to bid on a new store.

Cracker Barrel wants to see the entrepreneurial spirit of its managers who are each expected to make major marketing decisions on their own. A corporate advisory staff to assist store managers is available upon their request. The store, however, is charged for the assistance. The incentive is for managers to solve their own problems and improve the store's profitability.

With a total of 32 units in operation and three more planned for 1983, movement among units has not been great. However, next year the company plans to build seven or eight new units and competition for them should develop.

Future units will be slightly more scaled down than the current 172-seat, 8,000-sq.-ft. unit. The new unit will be cut to 6,000 sq. ft. and 134 seats and gift shop space will be cut from 20% to 15% of the building.

Cracker Barrel execs think they can get a greater number of turns on the smaller units without as much overhead. In cases where the company expects to do greater than the average $1.5 million sales per store, the larger unit will be built. One store in Lexington is already doing in excess of $2 million and Cracker Barrel would like to repeat the success.

This year the company tried to increase customer counts by mentioning specific products in their advertising. In the past they have attracted the mix of 40% highway riders (tourists and commuters) and 60% local clientele within a 2-mile radius by using billboards and limited radio and television advertising. The media advertising was institutional and sought to build the image of the Cracker Barrel Country Store.

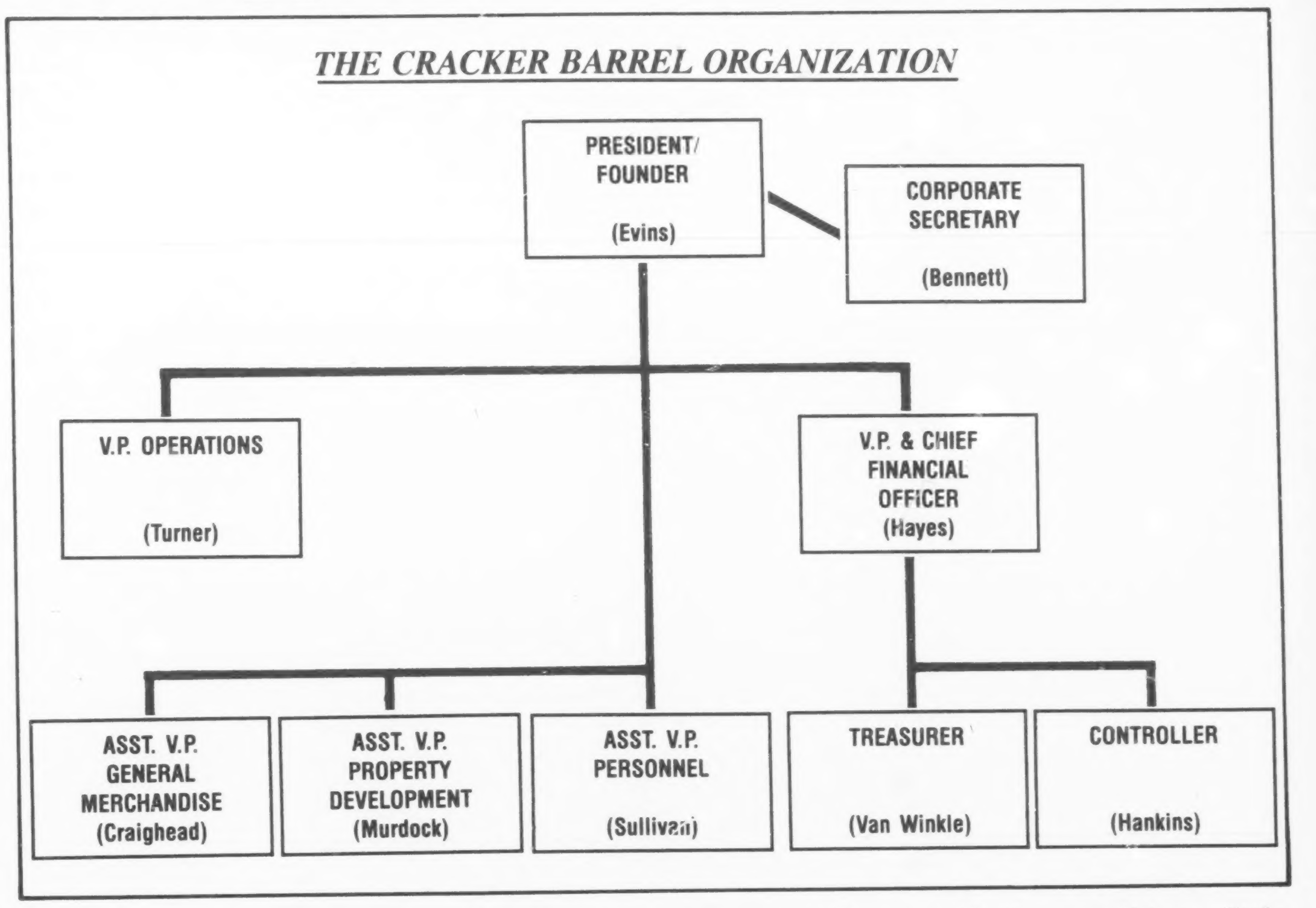
By mentioning dinner offerings and prices on the radio, the company was able to build their dinner business. They shed an image of the "greasy spoon interstate-oriented operation," by combining menu advertising with the image-building kerosene lamps and wood burning fireplaces from the previous institutional ads. Cracker Barrel spends approximately 2% of sales on advertising.

The authentic rural Southern menu, which runs a 37% food cost, "is the something a little different we do that sets us apart from the competition," says Hayes. He stresses that founder Dan Evins has spent time perfecting the Cracker Barrel concept and has not paid much attention to what or how other restaurant companies in the regional area operate.

Cracker Barrel execs feel they have a tight hold on the market. National coffee shop and dinnerhouse chains have tried to establish themselves in Cracker Barrel territory only to find "this area is a hard nut to crack," says Hayes. For that reason the company wishes to continue to expand within its region, possibly breaking into a new state or two. Certain suppliers and distributors can easily be found in the Southeast, and while the company is not dependent upon any one source of supply, it will keep growth logistically simple.

Current menu experiments include new breads for sandwiches, possibly a sour dough bread and an entire line of soups which was recently rolled out.

THE CRACKER BARREL ORGANIZATION


PRESIDENT/ FOUNDER (Evins)
CORPORATE SECRETARY (Bennett)
V.P. OPERATIONS (Turner)
V.P. & CHIEF FINANCIAL OFFICER (Hayes)
ASST. V.P. GENERAL MERCHANDISE (Craighead)
ASST. V.P. PROPERTY DEVELOPMENT (Murdock)
ASST. V.P. PERSONNEL (Sullivan)
TREASURER (Van Winkle)
CONTROLLER (Hankins)

CRACKER BARREL OLD COUNTRY STORE

(Fiscal Year Ended July 31)

	1982	1983	1984*
Systemwide Sales (In Millions)	$35.4	$45.7	$57.5
Revenues (Where Different From Sales) (In Millions)			
Net Profit (In Millions)	$1.3	$2.0	$2.9
Average Sale Store Sales (In Millions)	$1.4	$1.6	$1.75
Average Per Person Check		$3.45	$3.60
Number of Units	24	29	35
% Menu Price Increase	7.0%	7.0%	5.0%

**NRN* Estimate

Source: *NRN* Research

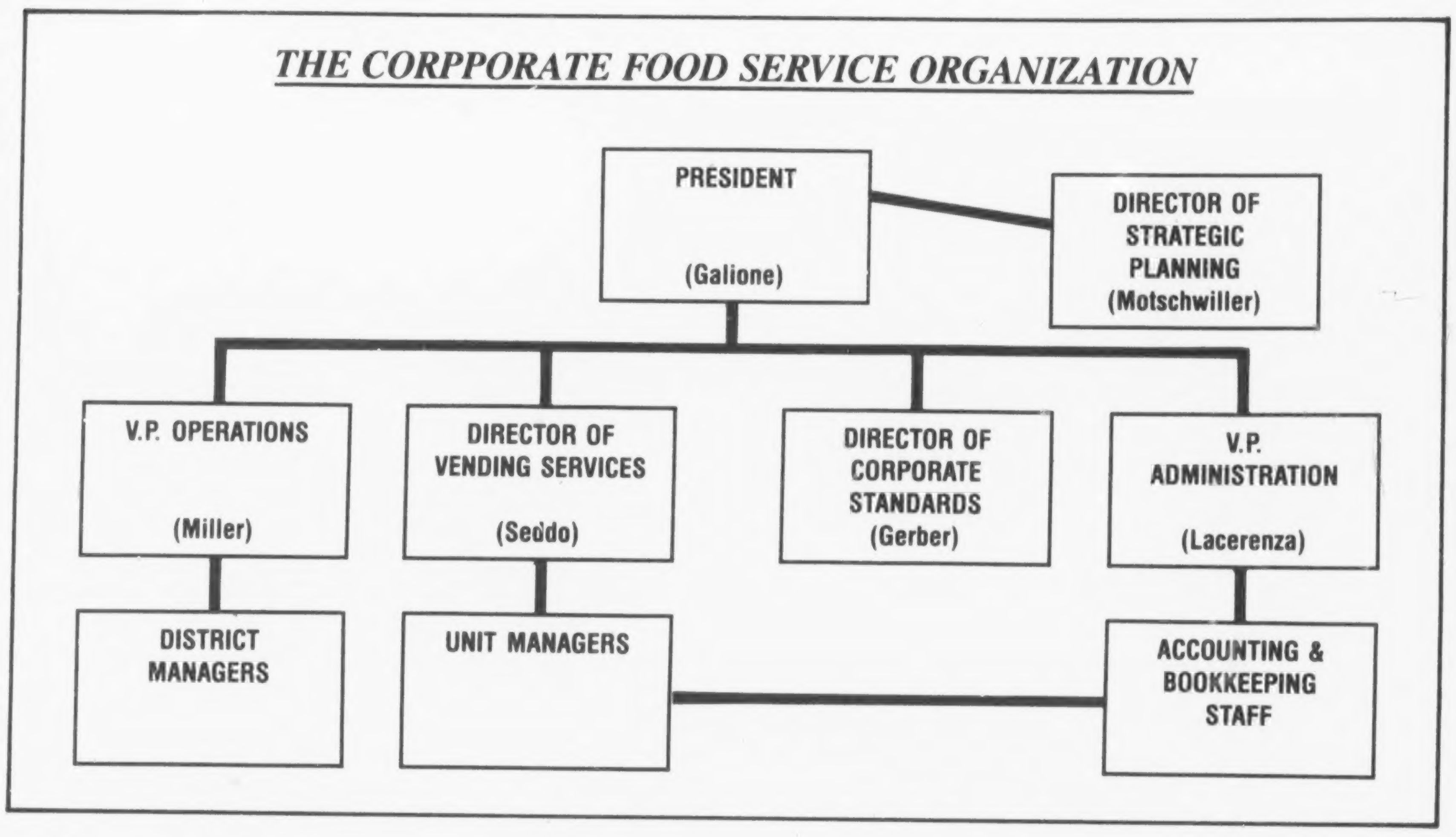
"CRACKER BARREL"
OLD COUNTRY STORE

Cracker Barrel has 32 units in operation and more on the way.

SECOND-TIER CHAINS

'Local' sensitivity, swift response keys to strategy

CORPORATE FOOD SERVICES


THE CORPPORATE FOOD SERVICE ORGANIZATION

NEW YORK—By offering white-collar New Yorkers a local food-service management company and the attention that comes with a special hotline which rings in the president's office, Jack Galione has doubled Corporate Food Service's sales twice in the past five years.

Starting out in the mid-70's with $1,500, Galione targeted law and bank offices and sold them food-service management which recognized their employees as "professional eaters with a high sensitivity to food."

The advantage of a New York-based business catering to New York firms, says Galione, is that the client does not have to go through layers of management in order to solve a problem. Also, menu development can be swift, reacting to the many food trends that start in the Big Apple.

The company's quality of service and ability to turn on a dime are exploited to advantage. All "group heads" wear beepers so they can be found in minutes. Galione has a full-time car and driver—if the hotline rings, he'll be in a client's office in less than 15 minutes. Many of his accounts, however, are within walking distance of his headquarters.

"You've got to be ready to handle problems," he says. "This business is full of problems—you know that going in."

Galione has controlled the company's growth by anticipating the needs of growth: solidifying and adding to the management team and then going after accounts. Trying to get accounts before the management team is ready or capable of handling them is putting the cart before the horse.

That's why, in 1979, he told his handful of corporate staffers (there were about 300 employees) that for two years the company would not grow.

For two years Galione worked solidifying his management team. He added a vice president of operations who would oversee the computer systems the company used to track account information, a director of corporate standards who did menu development and quality control, a vice president of administration to develop systems and an administrative assistant to the president. Galione's administrative assistant became the director of strategic planning and development and a director of vending services, which complements the company's food service, was also added.

For two years the new officers got to know the company and in 1981 sales were on their way from $8 million to $10 million. Over the next two years sales increased to $20 million.

Today Galione need only add a manager and build his administrative staff for each new contract taken on. This is possible, thanks to a personal computer which tracks accounts information, can make price changes on an entire six week menu cycle in under a minute and does forecasting.

Manual record keeping and planning would be impossible, he said.

Ninety per cent of Corporate Food Service's growth has come from firms just beginning to provide food-service facilities. Galione landed an important first account when the company was starting out—it was the first law firm to put in an employee food-service facility. Numerous forward-looking law and banking firms saw that first oulet and called Galione for their own needs.

New York is saturated with "high-tech, high-talent" professional people and they demand innovative menu items. Deanna Gerber, director of corporate standards, keeps the chefs in each account up-to-date on menu trends with memos suggesting new ideas. Chefs are asked to incorporate them wherever possible.

A recent memo read: "Try a cassoulet using white beans, chicken stock, chicken, knockwurst and other sausages. If you have casseroles, do them individually. Top with a crispy buttered bread crumb topping."

Gerber is a French trained chef who keeps a constant flow of ideas going to unit managers and chefs. Each unit chef, however, is allowed to create new items entirely on their own without the fear of failure.

"Try something you've been dying to make," Gerber tells the chefs, "and make six orders of it. If you only sell three that means half of the customers tried it, maybe more will try it next time."

Pricing for each account is determined when the account is written. Sometimes a certain food cost is mandated and prices reflect that cost. Sometimes Galione offers something called price flexing. Price flexing means that if food cost on a particular item goes up or down drastically—such as orange juice or beef—then Corporate Food Services can adjust menu prices immediately. In other instances, Galione offers the client a chance to absorb or pass on the price increase.

Management for the accounts comes from within as well as outside the company. New managers, however, join as assistant managers, no matter what their prior position was.

"We're reluctant to hand over the keys to someone we don't know," says Galione. The move down gives the employee a chance to experience the corporate culture of the company and gives Galione a chance to see whether the employee delivers all they promised.

Corporate Food Services has outgrown its current downtown location. Headquarters will be be moved to the Grammercy Park area of Manhattan where Galione purchased a floor of an office condominium. Employees will have more space and the company will be situated between its uptown and downtown accounts.

Experiments with a public restaurant called Images, a food court in an office building and a newsstand operation are all going on in Orangeburg, N.Y., a suburb.

Galione may use some of the new concepts for expanding operations.

Henry P. Miller

Deanna Gerber

Jack Galione

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SECOND-TIER CHAINS

Account needs shape Creative's menu structure

CREATIVE GOURMET

BOSTON—Steve Elmont, Creative Gourmet's president, says he is interested in clients who view food as a benefit rather than a necessity. Each account has different needs and part of serving those needs is determining whether the menu should include "a truffle or a frankfurter."

"We reduce the communication between ourselves and the client to a menu and then go on to develop that menu as the relationship changes," says Elmont.

No proposals is ever submitted to a client without extensive research on the client population. Each menu program is tailored to the group's ethnicity, amount of time for lunch, ability to pay and group size. From this information Elmont can create a flexible menu cycle which meets the group's and the client's needs.

After Creative Gourmet takes on an account, the menus are evaluated on a regular basis by the executive chef. He checks to see that each manager is serving a variety of foods and that meals are nutritionally balanced. Sales data, product mix reports and manager reports help to suggest menu adjustments which must be made at each account.

Elmont has always used profits to help Creative Gourmet grow. There are only two reasons to go public, he says: to make a personal fortune or to satisfy a capital need. Neither are of interest to him.

"If you capitalize your business correctly the first time around then there should be no need for great influx of capital in this business. The kind of investments I need to make are in inventories and human resources, not fixed assets," he says.

Elmont has relied on strategic planning to make Creative Gourmet sales grow 30% a year each of the past six years. At a retreat top management (Elmont and his partner Eugene Piacentini) sit down and discuss the company's strengths and weaknesses and position themselves in the market. After a month passes they do the same thing again and middle management is included in the discussions. They hope both meetings come to the same conclusions. If they don't, the meeting does not end. The next step is to bring unit management into the discussions for their input and to discuss implementation.

This year strategic planning resulted in the addition of a director of human resources for the company. Management saw the company as one which cared about its employees, but some employees felt that attitude was not evident at all levels. Elmont added the new position to make the company's commitment to the employees something more than talk.

Steve Elmont

A series of training programs are always in effect for the company's 350 employees. Handicapped people go through six month training programs for dishwashing and utility positions. Manager trainee positions are always filled so that the company has a qualified workforce from which to choose managers. Creative Gourmet employees go on internships to hotel and restaurant schools and hotel and restaurant students do externships with Creative Gourmet.

Elmont is against using a bonus system to help managers do a better job. In some accounts the food cost is subsidized and pressure on the manager to lower food cost might lead him or her to cut corners.

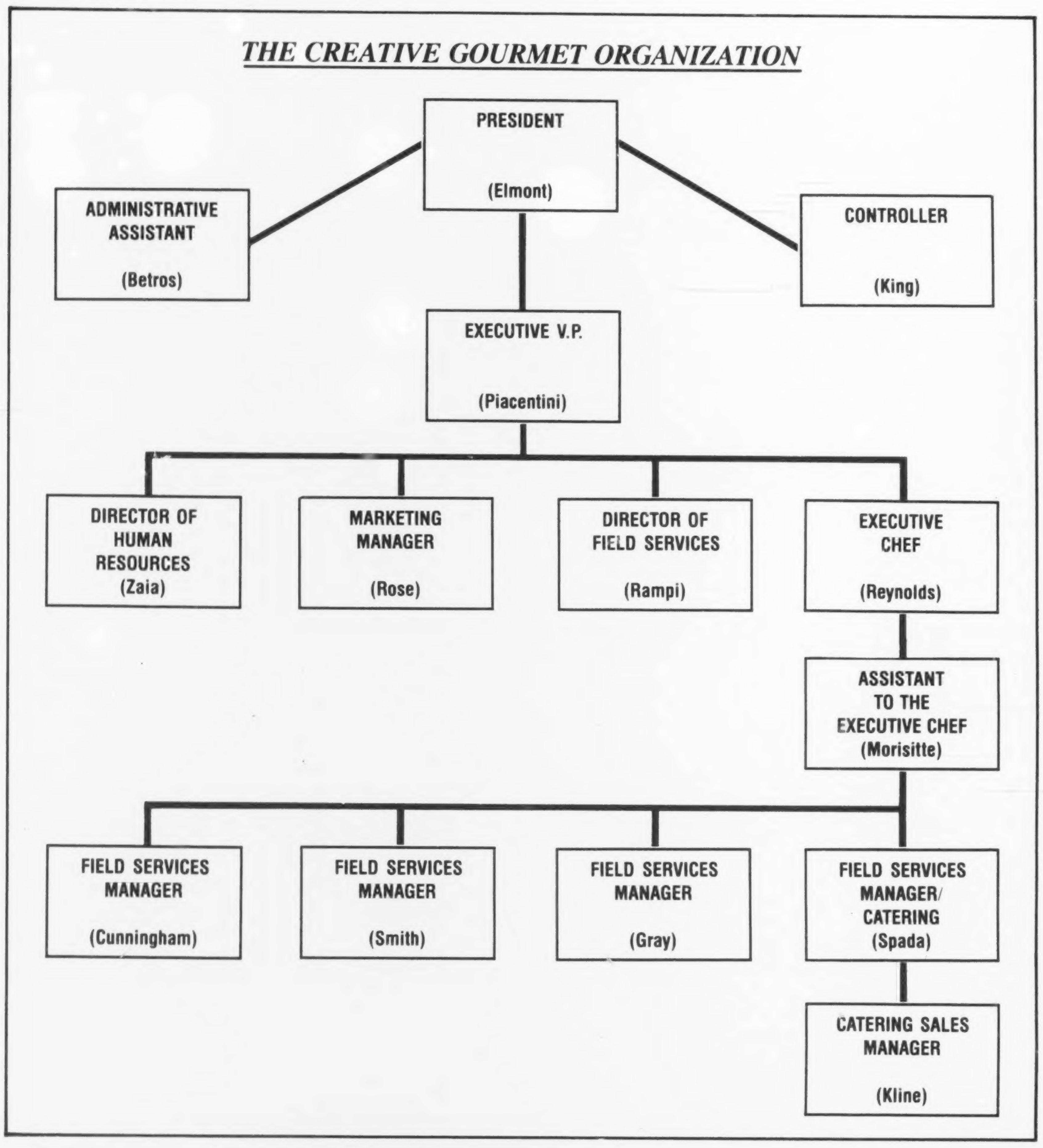
A stock option is not viable since Elmont does not want to dilute ownership of the company. Something called a "phantom stock," may be used this year. It is a nonvoting stock which rewards employees along the lines of the company's growth.

Managers are evaluated at monthly meetings and evaluate themselves annually.

Elmont keeps a microscopically close eye on labor and overhead cost in order to manage the future growth of the company. His flat fee for managing accounts is based on year-to-date overhead plus any factors that might indicate an increase from last year's figures. In order to charge each new account correctly Elmont must have an up to the minute grasp of what his current costs and profits are. For this reason he gets daily financial statements from all accounts.

For the first time, Elmont has hired a catering sales manager and a marketing manager. While he still needs a client's full cooperation in order to create a proposal, he feels that it's time for the company to consider going after some business instead of waiting for it.

In the area of social catering Creative Gourmet wants a larger share of the Boston area market and has hired a sales manager to increase sales in that area. The company recently catered the opening of a Nieman-Marcus department store in Boston.


THE CREATIVE GOURMET ORGANIZATION
PRESIDENT (Elmont)
ADMINISTRATIVE ASSISTANT (Betros)
CONTROLLER (King)
EXECUTIVE V.P. (Piacentini)
DIRECTOR OF HUMAN RESOURCES (Zaia)
MARKETING MANAGER (Rose)
DIRECTOR OF FIELD SERVICES (Rampi)
EXECUTIVE CHEF (Reynolds)
ASSISTANT TO THE EXECUTIVE CHEF (Morisitte)
FIELD SERVICES MANAGER (Cunningham)
FIELD SERVICES MANAGER (Smith)
FIELD SERVICES MANAGER (Gray)
FIELD SERVICES MANAGER/ CATERING (Spada)
CATERING SALES MANAGER (Kline)

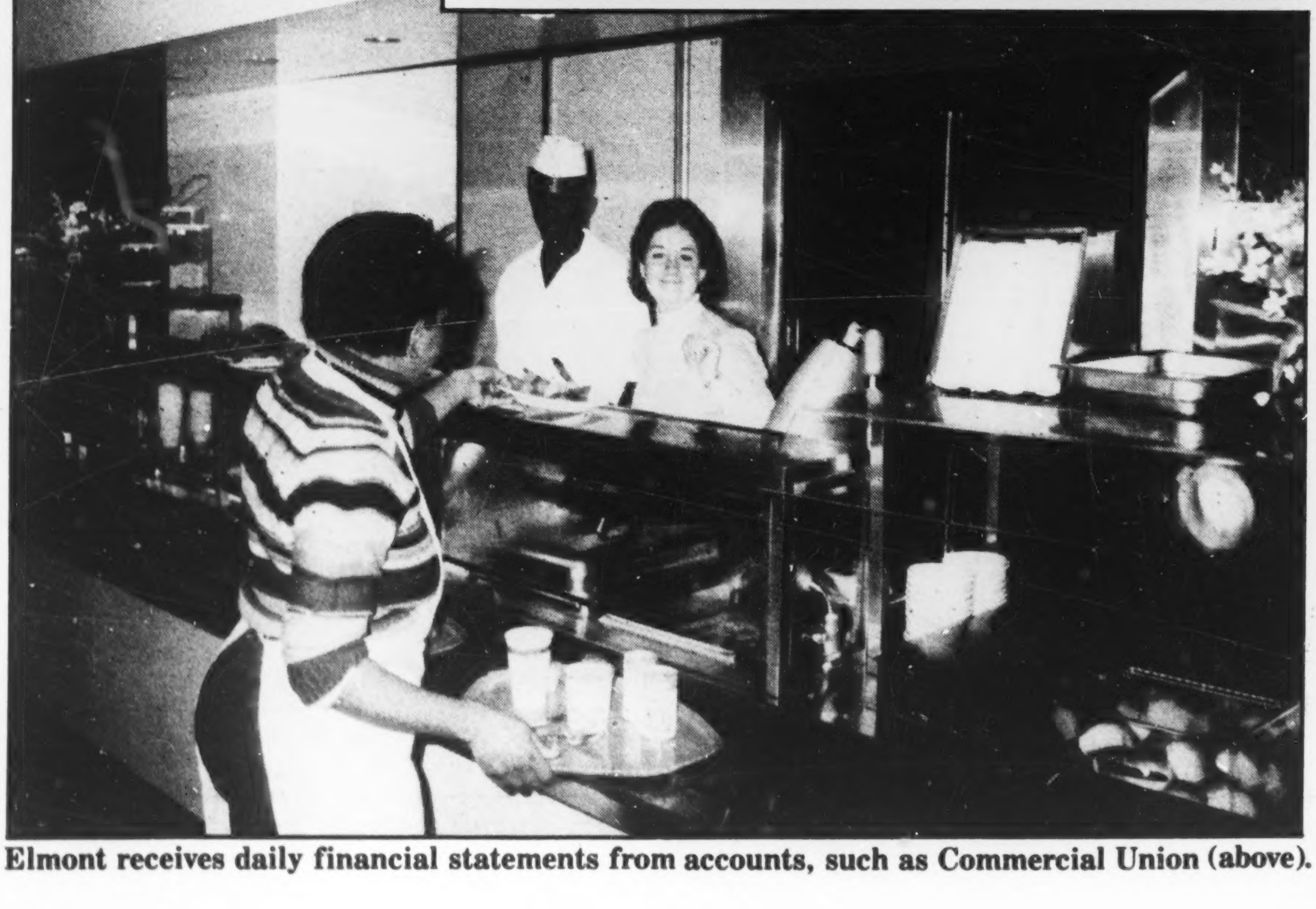
CREATIVE GOURMET

(Fiscal Year Ended Dec. 31)

	1982	1983	1984*
Systemwide Sales (In Millions)	$7.00	$9.10	$12.75
Average Contract Sales	$350,000	$364,000	$390,000
Number of Contracts	20	25	30

Source: *NRN* Research

*Projected


Elmont receives daily financial statements from accounts, such as Commercial Union (above).

Feds have good news for chicken chains

Demographic shifts will produce higher demand for poultry items

WASHINGTON—In a new long-range forecast that bodes well for the nation's fried chicken chains, Government market researchers predicted that demographic shifts within the United States' population will result in steady increases in the demand for poultry products.

"During the next five years, growth in poultry-industry shipments is expected to continue to outpace that of the red meat industry as poultry per-capita consumption increases at a greater rate" than the demand for beef, pork and other red meat products, the Commerce Department's Office of Consumer Goods and Service Industries concluded.

"A contributing factor affecting shipments of red meat is the aging of the United States population," industry analyst Donald Hodgen said, "because older Americans tend to consume less meat, especially beef."

According to new Census Bureau projections, the proportion of Americans aged 60 and over (a group that currently accounts for 17% of the United States population) will increase at a compound annual rate of 1.6% through 1988. In contrast, the number of people under 60 will grow only about half as fast—an average of just 0.8% annually.

Indications are these demographic changes are already beginning to influence the demand for meat products in the United States.

Although shipments of red meat products showed an increase of 3.6% last year in response to gains in consumer disposable income and other positive economic factors, the Government's latest forecast predicts that "in 1984, the red meat industry will not experience any significant real growth in industry shipments."

And although overall production of processed meats and other "high value-added" meat products will rise this year, total beef and pork production is expected to decline 2% from the 1983 levels, the Commerce Department study concluded.

Although American consumers are likely to upgrade their meat buying preferences and dine out more often in response to improvements in the overall economy, higher prices for beef and other red meat products may cut into that rising demand.

"After two years of declining prices, livestock prices are expected to increase between 2% and 6% in 1984," and those price hikes could go even higher "if the 1984 red meat supply is lower than forecast" by officials at the United States Department of Agriculture, the Commerce food analysts said.

Behind the projected price increases: Poor weather conditions during 1983 which will continue to influence the supply of livestock through the current year.

"Because of the long summer drought in 1983, thinning of herds increased in late 1983, and in 1984 fewer cattle and hogs will be available for slaughter," Federal researchers explained. "This will raise consumer prices for red meat in 1984" by an amount Government forecasters find difficult to predict.

> *'During the next five years, growth in poultry-industry shipments is expected to continue to outpace that of the red meat industry as poultry per-capita consumption increases at a greater rate.'*

In contrast, the "prospects for the poultry industry in 1984 are favorable," Commerce Department experts concluded in their latest "industrial outlook" study outlining the state of the economy.

Total poultry production "will probably increase another 2% to meet the continued strong demand for poultry products," and the "value of shipments by the poultry and related products industry, measured in constant dollars, is expected to increase about 3.2% in 1984," department analysts said.

For the longer term, Government researchers expect that food-service operators will have more food-buying options in the future as a number of "new products will be marketed in the next five years, especially restructured meat products such as barbecued pork filets and breaded chicken breasts."

Among restaurant food suppliers, the department is also forecasting a number of marketplace changes during the next five years.

"Intense competition will push the red meat industry to continue to strive for new efficiencies," and "many plants will close and industry labor-cost increases will slow," the report predicted.

"Capital costs for new equipment will continue to increase, however," and "new packing plants will continue to locate near large cattle feedlots and where the labor supply is ample," Federal industry forecasters said.

After adjustments for inflation, the overall value of meat and meat products industry shipments is expected to rise at an annual compound rate of between 1% and 2% from 1983 through 1988, the study concluded.

Last year, however, the value of these shipments climbed 2.3% to $68.1 billion, and after adjustments for price changes the "real" value of these shipments rose even faster—3.8%, Commerce Department meat industry specialist Hodgen disclosed.

"For the first time since 1972, overall producer prices of meat and meat products fell in 1983 as livestock prices declined," he added.

On a per-capita basis, consumption of all meat products rose by 4.3 lb. last year (to an average of 206 lb. per person) in response to the economic recovery and lower prices for meats.

Due to a variety of factors ranging from erratic supplies to consumer health concerns, however, meat preferences among American consumers has been shifting away from beef in favor of poultry products, the study notes.

Citing Federal figures indicating that consumption of beef has been on the wane for the past eight years, Commerce industry analysts said that "in 1976 about three-fourths of all meat consumed was red meat [mainly beef], but by 1983 the red meat share had dropped to 69%."

On a per-capita basis, the decline is even more apparent.

"Between 1976 and 1979, the average annual per-capita consumption of beef was 87.8 lb., compared with 77.2 lb. between 1980 and 1983," the study noted.

During the first eight months of 1983 the producer price indexes for beef, pork and poultry declined 3.9%, 4.2% and 1.2%, respectively, and throughout the year "the large supply of livestock and poultry available for slaughter [kept] a lid on producer prices," Commerce analysts said.

"Although the cost of producing broilers started to increase during the summer of 1983 because of higher feed costs and reduced production due to the extremely hot summer, large supplies of competing red meat during the second half of 1983 moderated broiler prices," the report noted.

In disclosing last year's 3.6% inflation-adjusted rise in the value of industry red meat shipments after "three years of essentially no growth," the Government researchers noted that beef production inched up slightly (from 22.3 billion lb. in 1982 to 22.9 billion lb. in 1983) while pork production climbed 6% to 15 billion lb.

Poultry production, meanwhile, continued to rise steadily last year as the value of industry shipments reached $9.8 billion—up 4.8% after adjusting for price changes.

"Demand for poultry products has been very strong in recent years," and "as a result, the production of chicken and turkey has increased steadily from 11.3 billion lb. in 1977 to 15.5 billion lb. in 1983," the new Government study reported.

PER CAPITA CONSUMPTION OF MEAT PRODUCTS

(In Pounds)

	Red Meat[1]					All Meat
Year	Beef	Pork	Other[2]	Total	Poultry[3]	Products
1976	94.3	53.7	4.8	152.8	51.8	204.6
1977	91.7	55.8	4.7	152.2	53.2	205.4
1978	87.2	55.9	3.8	146.9	55.9	202.8
1979	78.1	63.8	3.0	144.9	60.5	205.4
1980	76.5	68.3	2.8	147.6	60.6	208.2
1981	77.1	65.0	3.0	145.1	62.4	207.5
1982	77.2	59.0	3.1	139.3	64.0	203.3
1983	78.0	62.0	3.0	143.0	65.7	208.7

Source: U.S.D.A., Bureau of Industrial Economics

[1] Retail cut equivalent. [2] Lamb, veal and mutton. [3] Ready-to-cut.

U.S.D.A.: Red meat demand will rise, too

WASHINGTON—Demand for "red meat and restaurant food" will increase in 1984 if the economy continues to improve, according to a recently released Agriculture Department report.

Among other things, the report concluded that the economic outlook for 1984 is "bright." U.S.D.A. researchers estimated real consumer spending may rise by 5% this year, primarily because of income gains from increased business activity.

Although consumers increased spending last year, they added financial assets more than twice as fast as liabilities, leaving them "sufficiently liquid to spend strongly again in 1984," Agriculture Department officials said.

While demand for farm products is likely to rise in 1984, along with consumer spending, "demand increases will not be uniform," they said.

Rather, "demand for the more income sensitive commodities, such as red meats and food-away-from-home, will rise more than domestic demand for food staples," U.S.D.A. predicted.

At the same time food supplies are expected to tighten this year as a result of the smaller plantings of some crops, production adjustments in the livestock industry, and severe weather conditions last year, the agency explained.

Based on the latest Agriculture Department figures, the supply outlook for major foods used by food-service operators is as follows:

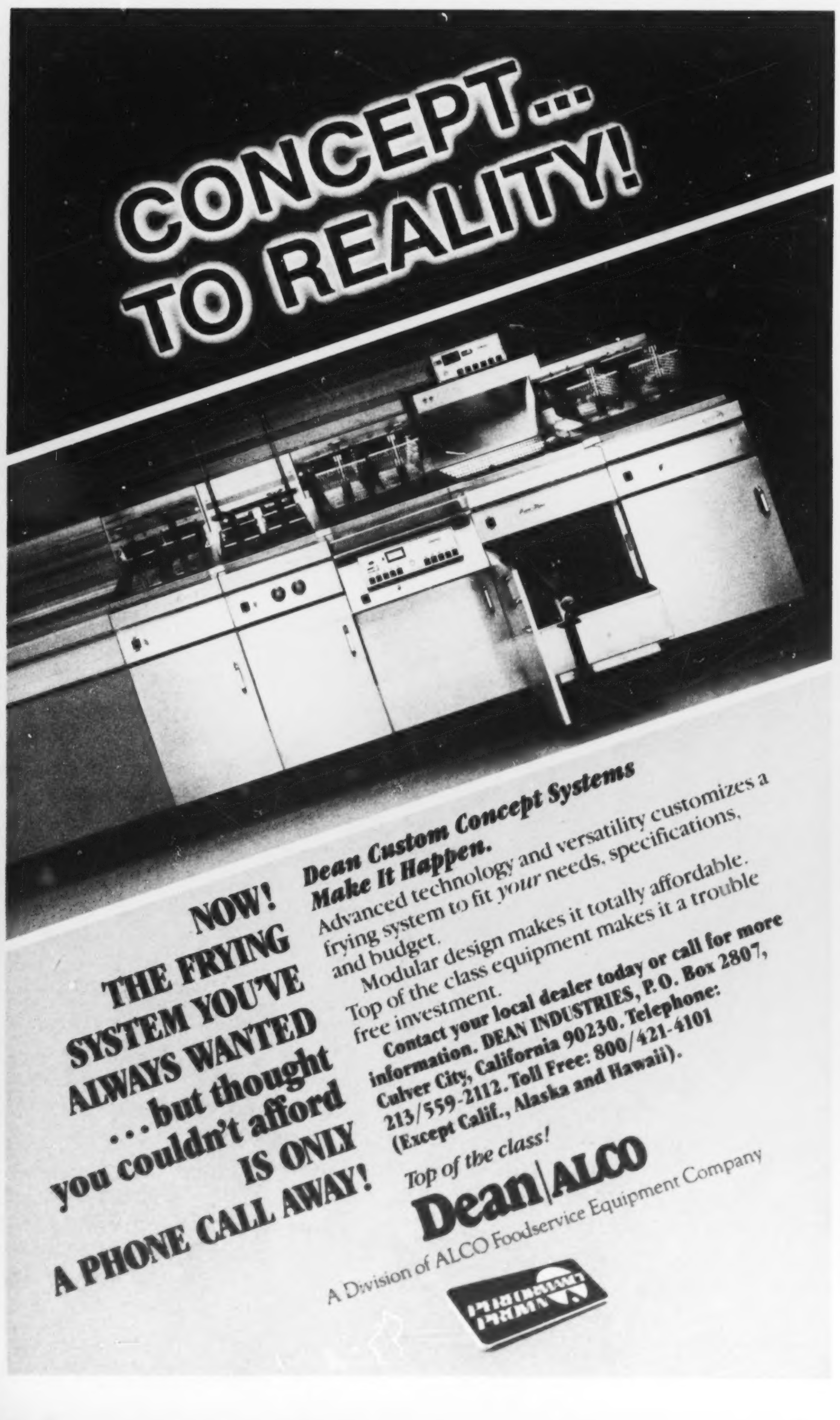
- The number of United States cattle and calves on Jan. 1, 1984 was 114 million head—or 1% less than last year. Beef cow inventories were also down 1% while the number of beef replacement heifers—the base for future expansion—declined 2%.

As supplies tighten and demand grows, meat costs will start rising and by the third quarter red meat prices could be a 10th higher than during the same period in 1983, the agency said.

- In 1984 pork production will probably be off 6% to 8% from 1983 levels. U.S.D.A. indicated breeding and conception may be affected by both last summer's extreme heat and this winter's severe cold. Market hog prices in the first half of 1984 are expected to average $45 to $49 per cwt—or very close to last year's levels.
- Broiler production in the first six months of this year could be down 2% from last year's 6,336 million lb. Output in the second half of the year, however, is expected to increase by 5% over 1983's production because of lower feed costs.

Agency officials predicted consumer demand for broilers will continue to be strong in 1984. Consumer demand was "exceptionally high last year because of the growth in the economy" and chicken promotions run by several fast-food chains during the holiday season, U.S.D.A. said.

- Increased imports will partially offset the fruit and vegetable losses that resulted from last December's cold spell. Additional frozen concentrated orange juice will come from Brazil to help make up for the 17% drop in United States citrus production. At the same time, Mexico will ship the United States extra vegetables, particularly since a decline in the peso's value has made Mexican imports cheaper. F.O.B. prices for tomatoes, peppers and squash are expected to range from 18% to 39% higher than a year ago during the first four months of 1984 before declining to last year's levels.



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Alcoholic beverage industry growth stymied

But Feds offer brighter five-year outlook

WASHINGTON—Anti-drunk driving campaigns coupled with stepped up "public pressures . . . to regulate or prohibit advertising of alcoholic beverages" are likely to short-circuit any "real" growth in consumer demand for beer, wine and distilled spirits this year, a new Government forecast indicates.

Although the alcoholic beverage industry's long-range (five-year) outlook is somewhat brighter, especially for wine consumption, "the short-term future for the alcoholic beverage group does not appear especially sanguine," market analysts at the U.S. Department of Commerce concluded.

In addition to growing public support for higher drinking ages in many states, demographic trends are not particularly favorable for the nation's brewers, wineries and distillers.

"The drinking age population will increase very moderately, and there is no sign that consumers' preferences or consumption patterns will change in 1984," the report maintains.

ALCOHOL PRODUCT SHIPMENTS: 1972-84

	1972	1977	1979	1981	1982[1]	1983[2]	1984[3]	% Change 1983-84
Product Shipment (In Millions)								
Malt Beverages	$4,038.7	$6,612.9	$ 8,491.4	$10,115.0	$10,563.2	$11,146.8		
Wine & Brandy	851.0	1,357.7	1,995.7	2,549.5	2,767.2	2,870.3		
Distilled Spirits	1,557.2	1,955.0	2,575.3	3,164.3	3,188.9	3,226.4		
Total	6,446.9	9,925.6	13,026.4	15,828.8	16,519.3	17,243.5		
Product Shipments (1972 Dollars; In Millions)								
Malt Beverages	4,038.7	5,202.9	5,804.1	6,020.8	6,091.8	6,101.1	$6,141.8	0.7
Wine & Brandy	851.0	1,112.0	1,332.2	1,356.1	1,362.5	1,361.0	1,374.8	1.0
Distilled Spirits	1,557.2	1,554.1	1,821.3	1,890.3	1,832.7	1,833.1	1,802.9	−1.6
Total	6,446.9	7,869.0	8,957.6	9,267.2	9,287.0	9,295.2	9,319.5	0.3
Product Price Index (1972 = 100)								
Malt Beverages	100.0%	127.1%	146.4%	167.8%	173.4%	182.7%		
Wine & Brandy	100.0	122.1	149.8	188.0	203.1	210.9		
Distilled Spirits	100.0	125.8	141.4	167.4	174.0	176.0		

Sources: Bureau of the Census and Bureau of Industrial Economics.

[1] Estimated except for product price index. [2] Estimated. [3] Forecast. [4] Value of shipments of alcoholic beverages produced by all industries.

After adjusting for inflation, shipments of all alcoholic beverages are expected to increase only 0.3% this year, according to the latest Government projections. In comparison, producer shipments of malt beverages, wines and distilled spirits averaged a 4.4% annual growth rate (measured in constant 1972 dollars) between 1972 and 1980.

Actually, consumer demand for alcoholic beverages began to sour at the end of the 1970's, according to market statistics released by the Department. From 1980 to 1983, the new report shows that the industry's total inflation-adjustment value of shipments rose at an annual rate of just 0.6%.

Last year, although alcohol beverage product shipments reached a record $17.2 billion, the "real" dollar gain was a barely perceptible 0.1%, according to the Commerce Department study.

Signficantly, however, restaurants, taverns and other purveyors of away-from-home alcoholic beverages fared somewhat better during 1983.

Citing separate retail sales data collected by the Bureau of Economic Analysis, the Federal forecasters noted that "adjusted for inflation, personal spending for all alcoholic beverages fell 1.6% in 1983" to $50.3 billion.

ALCOHOL MARKET SHARE

	Per Cent Of Total			Compound Annual Rate Of Change		
	1972	1980	1982	1972-80	1980-83	1972-83
Malt Beverages	62.6	64.1	65.6	4.7	1.4	3.8
Wine And Brandy	13.2	15.0	14.7	6.1	−0.2	4.4
Distilled Spirits	24.2	20.9	19.7	2.6	−1.3	1.5
Total	100.0	100.0	100.0	4.4	0.6	3.4

Source: U.S. Commerce Department, Bureau of Industrial Economics, *1984 Industrial Outlook*.

All of this decline, however, was attributed to reduced demand for "at-home" beverage consumption, which dropped 3.7% last year. Sales of beer, wine and liquor away from home increased 2.4% during 1984.

As a result, the proportion of alcoholic beverages consumed away from home climbed to 39% in inflation-adjusted dollars last year, the study reveals.

Separate data culled from the Bureau of Labor Statistics' Consumer Expenditure Study indicates that the average United States "consumer unit" (i.e., households and financially independent individuals) spends $5.20 each week on alcoholic beverages.

According to the Government's new 39% market share estimate for restaurants and taverns, the average American household now spends more than $105 annually for beer, wine and liquor away from home.

That B.L.S. study also found that consumer spending on alcoholic beverages increases sharply as income rises.

"Consumers earning more than $30,000 annually spent almost $10 a week for alcoholic beverages, those earning between $20,000 and $30,000 spent about $7 weekly and those earning between $10,000 and $15,000 annually spent $4.40 a week for alcoholic beverages," the Commerce Department researchers said.

But age is also a key determinant of alcohol consumption, according to the report.

"Consumers between the ages of 25 and 34, who were about 24% of the C.E.S. survey respondents, make 26% of all alcoholic beverages expenditures," the department noted. "The 45 to 54 age group spent the most on alcoholic beverages each week, $7.07, and make more than 20% of the alcoholic beverage expenditures."

Meanwhile, individuals under 25 represent 12.5% of the total United States market for beer, wine and distilled spirits, according to the Government statistics.

The Commerce Department's new *1984 Industrial Outlook* report also cites a number of nondemographic factors which have affected the demand for alcoholic beverages in recent years—not the least of which have been legislative and regulatory initiatives in Washington and a number of state capitals.

"In 1983, public pressures intensified to regulate or prohibit advertising of alcoholic beverages," the department said. "A consumer interest group published a report critical of the alcoholic beverage sector, citing the quantity and content of beverage advertising as materially contributing to excessive consumption, particularly among young people and those sensitive to alcohol."

At the state level, meanwhile, no fewer than seven states introduced legislation in 1983 to either ban alcoholic advertising or require warnings or disclosures in ads.

At the Federal level, the Treasury Department's Bureau of Alcohol, Tobacco and Firearms rescinded a rule requiring ingredient labeling for alcoholic beverages, only to have that regulation reinstated by a Federal district court judge.

Although that dispute is still being litigated, critics of the Bureau "contend that ingredient labeling promotes informed consumer choice and would alert those people prone to adverse reactions to certain additives used in some alcoholic beverages," the Commerce Department explained.

Despite these pressures, Government industry analysts are now forecasting a somewhat brighter future for the alcoholic beverages market during the mid- to late-1980's.

"Alcoholic beverage producers, after several years of weak demand, view the next five years with enhanced expectations," the Commerce researchers said.

"Consumers between the ages of 25 and 49, who spend the most for alcoholic beverages, are increasing in number" and should account for almost 60% of the entire United States adult population by 1990, they said.

Individuals in this age bracket "are at the peak of their earning power and have the greatest propensity to spend for entertaining at home, travel and dining out," the Government industry analysts explained.

But while the total spending for alcoholic beverages is likely to rise because of this demographic shift, the changes ahead for specific beverage categories are less clear, according to the Commerce Department.

"Wine producers will likely benefit at the expense of malt beverages, and industry analysts do not foresee a substantial increase in distilled spirits consumption," the report noted. "Analysts do anticipate a shift to more expensive spirits, however."

Overall, the inflation-adjusted value of shipments of all alcoholic beverage products is expected to rise by approximately 1.5% annually during each of the next five years, the new forecast reveals.

Here's how the Government's industry watchers view the outlook for specific categories of alcoholic beverages now:

- MALT BEVERAGES: Although the value of industry shipments of beer, ale, porter and stout rose by an average of 3.8% annually (after inflation) from 1972 to 1983, last year's increase was a slim 0.2% gain. Current dollars sales reached $11.1 billion.

Although "consumption of domestically brewed beverages was down slightly compared with 1982 levels," an increase in demand for imported beers offset that dip and total consumption remained "virtually unchanged" last year, the Commerce Department disclosed.

On a per-capita basis, beer consumption dropped almost 1% during 1983 as total sales failed to keep pace with United States population growth.

"During the next five years, the number of young people, who are the major beer drinkers, is expected to grow slowly," and in response to this trend, brewers "are developing new products to stimulate flagging demand," the Government study said.

Malt beverage prices, meanwhile, continue to climb. Last year's Producer Price Index for these beverages rose 5.5%, and consumer prices increased by an identical percentage (on top of a 4.7% overall hike in 1982).

"Although imports represent about 3.5% of total per-capita beer consumption," the demand for these higher priced foreign brews (particularly those from Canada) is on the rise.

During 1983 per-capita consumption of imported beers increased about 8%, while the dollar value of malt beverage imports rose 11% to 546 million.

- WINES AND BRANDY: The value of wine and brandy product shipments dropped slightly (0.1%) last year in terms of 1972 dollars, reversing the upward trend of the past decade.

According to the latest Commerce Department statistics, the inflation-adjusted value of these beverages rose by an annual average of 4.4% during the period from 1972 to 1983.

Last year's shipments (which totaled a Government-estimated $2.9 billion) declined despite increases in both per-capita and total wine consumption.

Although overall consumption rose 2.3% per-capita wine drinking climbed 0.9% last year, "most United States wineries did not fare well," the Federal analysts said.

"Beset by increased competi-

(Continued on page 228)

Winery acquisitions, sales fuel market competition

WASHINGTON—Major winery acquisitions and divestitures during 1983 are likely to fuel competition in the domestic wine market, Commerce Department industry analysts concluded in the Government's new industrial outlook for 1984.

"In September 1983, the Coca-Cola Company agreed to sell its Wine Spectrum subsidiary to Joseph E. Seagram & Sons Inc., which already had a substantial wine business," Commerce market analyst Cornelius Kenney said. "The new Seagram wine operation will represent about 11% of United States wine sales, ahead of the third-largest producer, but still behind E.&J. Gallo, the market leader.

"Earlier in 1983, the Heublein Spirits and Wine Company, a subsisiary of R. J. Reynolds company, agreed to sell four wineries and several brands to a California agricultural cooperative," Kenney added. "Heublein, which is retaining several wine brands, will no longer be the second-largest United States marketer of wine."

The two acquisitions, which are reported to involve a combined value of $250 million, "are expected to stimulate increased competition among United States wine producers," the Commerce Department market forecaster maintained.

Other recent developments in the beer and distilled spirits industries, however, could adversely affect the level of competition in the production and sale of these beverages.

"Because of declining demand for bourbon and blended whiskeys, several United States distillers closed plants in 1983," Kenney reported. "In addition, the nation's second-largest brewer indefinitely delayed opening a new multimillion-dollar brewery in Ohio."

McD feud with black franchisee reaches courts

(Continued from page 1)

brated cause in California's black community, is scheduled to go to trial in June in U.S. District Court here.

Meanwhile, persistent charges that McDonald's discriminates against black franchisees by not offering them the same opportunities as white franchisees have sparked an investigation by the Los Angeles chapter of the N.A.A.C.P., the civil rights organization.

Complaints by Griffis and other black franchisees are receiving widespread coverage in minority-owned newspapers in California and have attracted the attention of the Rev. Jesse Jackson, a Democratic presidential candidate who as head of Operation PUSH, a group that works for economic opportunities for minorities, met with McDonald's officials in 1982 to discuss Griffis's charges.

In addition to allegations contained in his lawsuit, Griffis accuses McDonald's of "orchestrating" a recent Internal Revenue Service audit, a lien against his checking account by a local operators' advertising council, trouble with a food vendor and other incidents of "harassment." McDonald's denies harassing Griffis.

McDonald's officials bristle at any talk of racial prejudice and say the chain is proud of its record of offering opportunities to members of minority groups.

"We're increasing the number of minority operators at a rate that's far greater than any other franchisor," declares Alan Silberman, an attorney for the chain.

Silberman has been advising so-far-reluctant McDonald's officials to comply with attempts by Griffis's lawyers, Hunter and Anderson Law Office of Oakland, to provide detailed information about the chain's racial policies and record.

"My advice to McDonald's is that they should be prepared to have their policies subjected to analysis because there's no bias," Silberman says. "People will see McDonald's has a fabulous record bringing blacks, Hispanics and women into the system."

A motion by Griffis to compel McDonald's to reveal information pertaining to race issues will be heard by a Federal judge on March 12.

'A Lot to Protect'

McDonald's has resisted "efforts for discovery," Silberman explains, because the chain has "a lot to protect—a great wealth of information." The reason McDonald's doesn't have a rate of failure with its restaurants is due to its "unequalled" system of collecting information on all aspects of the fast-service restaurant business.

McDonald's, he says, must keep that information secret "to maintain the integrity of the system."

Silberman refutes Griffis' claim the chain maintains two separate lists of approved restaurant sites, one for blacks and one for whites, but he admits the list of approved franchisees identifies nonwhites with an asterisk.

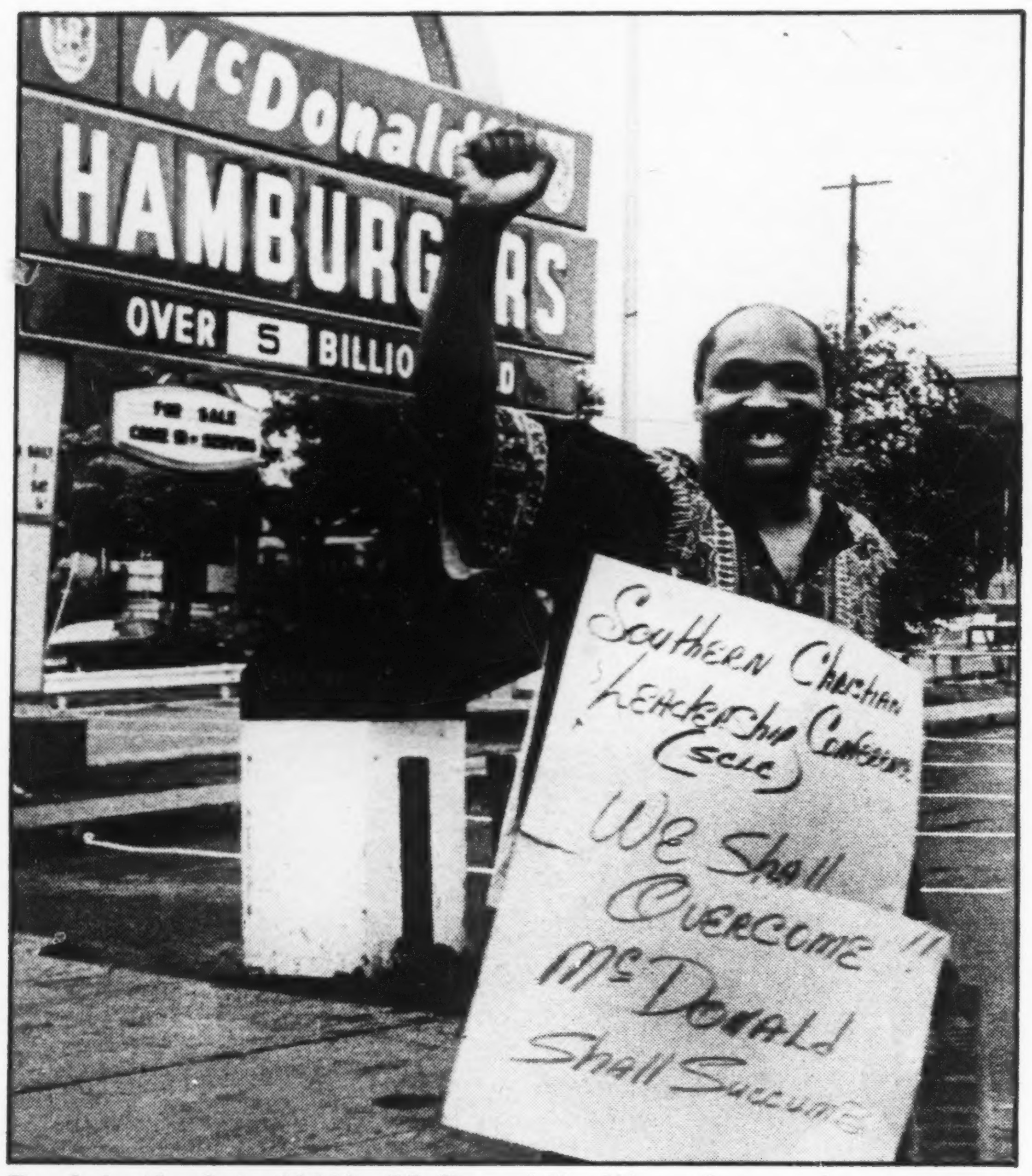
"The list indicates with an asterisk who is a minority applicant so we can track our performance," he says. "There have never been two lists."

Stephanie Skurdy, a McDonald's spokeswoman, says 15% of McDonald's 1,500 domestic franchisees and 37% of those in the training system as of February are members of minority groups.

Griffis, however, says that only 267 domestic McDonald's restaurants are black-operated out of a total of more than 7,000, and there are only 137 black McDonald's franchisees, most of whom have only one or two units.

Griffis, who says McDonald's system has "opportunities segregated on the basis of race," has been unable to acquire a McDonald's unit in a white neighborhood despite repeated attempts since 1979.

"McDonald's pattern and practice of racial discrimination in franchising has denied me the opportunity to obtain new, more profitable stores and has effectively kept me in recycled restaurants in black neighborhoods," Griffis states in an affadavit accompanying his lawsuit.



Back in the late 1960's, McDonald's, like other major corporations, was the target of protests by civil rights activists. At issue in recent years is McDonald's alleged practice of treating black franchisees differently than white franchisees. McDonald's denies such a practice.

McDonald's officials claim there are black franchisees with stores in white neighborhoods.

While Griffis has been at odds with McDonald's for several years, the problems did not come to a head until 1983 when he was sued by the chain after his wife, Patricia, opened two Popeyes Famous Fried Chicken restaurants in Los Angeles.

This apparently provided McDonald's with an opportunity to get rid of Griffis, who had become an activist among black franchisees in southern California, was supported by the well-known Rev. Jackson and in general was making too many waves.

The chain's legal department moved to terminate his license, contending Patricia Griffis' opening of two Popeyes restaurants violated a noncompete clause in the franchise contract which says a franchisee and members of his immediate family "would not directly or indirectly engage in or acquire any financial or beneficial interest in any business in which food and beverages are dispensed."

In his countersuit, Griffis contends McDonald's violates state law with its "restrictive covenant," and the chain's attempt "to close or restrict" the Popeyes operation is unlawful.

Noncompete clauses are fairly common in franchise agreements but McDonald's has a reputation of aggressively enforcing them more than other chains.

Winners Corp. is a major Wendy's franchisee and franchises its own chicken and biscuit concept, Mrs. Winners, which competes directly with Wendy's Sisters chain. Diversifoods is a major Burger King franchisee and also operates the Godfathers pizza chain. A New Jersey-based Burger King franchisee is opening a Chicken George fast-food unit in East Orange, N.J.

McDonald's also charges Griffis with failing to spend the required amounts of money on advertising, but Griffis, who complains McDonald's advertising is ill-suited for the black market, denies the charge.

He says he has continued to pay 1% of gross sales from his four stores to the national advertising fund but has withdrawn his 3.1% of sales contribution from the local operators' advertising fund.

Griffis says he is using that money on his own advertising and promotions, including contributions to community groups and school athletic programs. He also has a training and jobs program for youthful ex-offenders.

McDonald's is claiming money Griffis was supposed to use on advertising has been poured into his wife's Popeyes restaurants. The local operators advertising council has sued Griffis in a separate action for $107,000, the amount they say he was supposed to contribute to the fund in 1983.

"The concern here is that he's taken a series of very deliberate steps to impair the activities of his fellow franchisees," Silberman says.

Griffis maintains he has "faithfully performed every valid provision" of his franchise agreement. All fees and payments to McDonald's are current; he is advertising and promoting his restaurants and he is spending between $150,000 and $200,000 of his own money on remodeling and renovating his restaurants, he says.

Meanwhile, Griffis has emerged the victor in the first round of court battles with McDonald's. U.S. District Court Judge L. Waters on Feb. 13 denied McDonald's motion for a preliminary injunction that would have terminated Griffis's operating license immediately.

The judge said McDonald's failed to show it would be "irreparably harmed" if Griffis were allowed to keep his restaurants open pending the outcome of the June trial.

To Griffis, the denial of the preliminary injunction thwarted McDonald's attempts to gain control of his restaurants before the Summer Olympics. One of his restaurants is situated less than a mile from the Los Angeles Coliseum.

Silberman, however, denies McDonald's has any interest in taking over the restaurants. "We don't want the stores for ourselves," Silberman says. "If he wishes to sell the stores we'll be happy to work that sale . . . [but] he rejected our offers."

Griffis was once a shining star in McDonald's franchisee network. A former Detroit resident, he moved quickly through the company's training program and was offered a franchised unit in Los Angeles a month after his name was put on the list of approved applicants.

McDonald's officials characterize Griffis as a good operator with a proven ability to take substandard restaurants and turn them into profitable units.

Griffis opened his first McDonald's restaurant in a black Los Angeles neighborhood in July 1977 and quickly succeeded where two previous franchisees had failed. The store went from a Triple F rating to high B and A ratings after he bought it. He opened his second and third restaurants in January 1979, and April 1980. Both were "recycled" restaurants in poor neighborhoods.

Griffis bought his fourth unit from another franchisee in October 1981, but was growing frustrated by McDonald's refusal to sell him a unit in a white neighborhood. When a new restaurant in a white suburb became available, Griffis says he made an offer for it but was again turned down.

He took his case to McDonald's ombudsman, who investigated Griffis and told company officials that Griffis should be allowed to expand. The restaurant, however, was sold to a white operator.

In 1983, Griffis's four restaurants had annual sales ranging from $1.2 million to $1.7 million each. An average domestic McDonald's restaurant reported sales of about $1.2 million last year.

Griffis says his sales would have been even higher if McDonald's had not insisted on opening restaurants too close to his and other Los Angeles operators' sites.

The relationship between Griffis and McDonald's began to deteriorate in 1980 when Griffis began complaining bitterly about not being able to open a restaurant outside the inner city. "They got real serious with me, they started messing with me," Griffis recalls.

Silberman, however, says it was simply a matter of Griffis being impatient with the system. Because of McDonald's, Griffis can afford to own a Mercedes-Benz, a Rolls-Royce and a Ferrari, and is being ungrateful, he adds.

In his first four years, Griffis "got really what no other franchise operator has achieved—he went from no stores to four stores," Silberman says. Out of

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Liquor industry growth stymied

(Continued from page 225)

tion from imports, weak prices, slowing demand and burdened by large inventories, major producers offered substantial discounts to move products" last year, the Commerce Department report noted. "Smaller wineries, including those producing the more costly varietal wines, were especially hard-pressed."

Although profit figures for the wine industry are difficult to collect since most wineries are privately held, Government officials said that "industry sources" indicate that most domestic wine producers are having trouble generating profits.

Last year wine imports increased by 10% to an estimated $1 billion, and currently equal about 36% of total domestic shipments, the Department's latest figures show.

At the same time, new Census Bureau figures indicate that the average price per gallon of imported wines declined by approximately 1% during the first six months of 1983.

"For the past several years, foreign currency exchange rates favored French and Italian exporters of wine to the United States," the Commerce Department said. "Low prices and bountiful production of quality wines from abroad, especially white wines from italy, have enabled imported wines to gain an increasing share of the United States market."

- DISTILLED SPIRITS: The inflation-adjusted value of distilled spirits shipments rose "very slightly" last year to $3.2 billion, after falling more than 3% during 1982, according to the new Government outlook.

The growth in total shipments slowed to an annual average of only 1.3% after inflation during the 1980-1983 period, "reflecting the declining popularity of full-flavor whiskey and bourbon," the Commerce Department researchers said.

Meanwhile, total United States consumption of distilled spirits declined by an estimated 1% last year, while per-capita liquor drinking dropped 2.2%, the latest figures indicate.

This reverses the trend of the decade from 1973 to 1983 when consumption rose at annual rates averaging 0.6%, the study disclosed.

"Whiskey has been declining in popularity for some time," and since 1972 average consumption has dropped almost 2% each year, the report said. Although imported whiskeys fared better during this period (increasing about 1% annually) consumption of domestic varieties fell more than 4% each year.

"In recent years, consumers increased their purchases of the so-called 'white spirits," which include gin, vodka and rum," Federal industry researchers said.

Over the past ten years consumption of these spirits rose at an annual rate of nearly 4%, and for the last three years "a United States brand of rum has been the best-selling liquor," they noted.

Again, shifting demographics contributed to these market changes, the Commerce Department indicated.

During the first eight months of 1983, consumer prices for distilled spirits rose only 2.6%, while wholesale prices increased just 1.8% (following hikes of 9.4% and 4% during the previous two years.)

Independents coping with seafood shortages

(Continued from page 5)

also operates Bastille and George's, said he is taking 10-oz. salmon trout from Europe, cutting them in half and plating them with a small portion of another entree item, making several combinations with shrimp and preparing a scallopini with tuna.

Nick Psigakos, manager and purchasing director of Sea-Fare of the Aegean in New York City, where 245 seats yield annual sales of $4 million, said, "We overcome high prices by giving customers something unusual."

Harry Harrison said he inserts on daily menus a computer printout that gives new prices and items, as rising costs and declining availability force changes. Harrison runs More Fun & Food, a Santa Monica, Calif., W. R. Grace subsidiary he developed that operates two restaurants called Gladstone's 4 Fish, two called R. J.'s and has a fifth, Jetty's, about to open.

The real problems, as noted, appear mainly to face independents and smaller operations.

Alex Stuart, owner of venerable, 126-year-old Harvey's in downtown Washington and a second, five-year-old Harvey's in Rockville, Md., observed "maybe there should be more sources of supply" for the independent restaurateur.

Dominant chains like Red Lobster feel somewhat insulated by their buying power.

"We don't have the same constraints," said an official of General Mills' Orlando, Fla., seafood dinnerhouse subsidiary. "We're more flexible—when we can't get flounder in Newfoundland we buy it in Europe. We buy at lower prices, too, that don't fluctuate as much."

In truth, even the hardest hit by current shortages or high prices said business today is at least as good, if not better, than last year.

But it should—and could—be even better, they believe.

"The consciousness of the public is turned toward fresh seafood," Maxwell's Danny Brown said.

"The trend is that way," agreed Psigakos, "for one thing because people are so weight and health conscious."

In addition, distribution to noncoastal markets has dramatically improved.

"Ten years ago when Tango started," Badonsky said, "you could only get basic staples in town. Today's popular flatfish weren't in restaurants in Chicago. Now I can get more fish on a regular basis here than in any market in the country."

Some nonrestaurateurs, looking at these trends, all but dismiss operators' complaints and point to a world seafood market with plentiful supplies and an advantage for United States buyers.

"Restaurants have a good deal going right now," said Lee Weddig, executive vice president of the National Fisheries Institute in Washington. "There's so much available and prices for the last year have, in fact, been relatively stable. The fluctuations are really normal and mostly seasonal. And the strength of the dollar against most foreign currencies makes buying overseas a good deal."

Operators reply that high prices do appear, from Government statistics (see charts), to have somewhat stunted the growth of seafood consumption.

Still, the shortages some say they are facing are admittedly far from universal. For one thing, unavailability of a product—the way overfished Alaskan king crab are unavailable —is rare. Price, location and buying power are currently all more important parts of the operator's equation.

Affected most by short supplies have been West Coast operators. They have been victimized by *El Nino* (pronounced nin-yo)—literally 'child of God,' a mystical-sounding name for a change in the jet stream, probably resulting from volcanic eruptions at Mount St. Helens in Washington four years ago and, more recently, at El Chacon in Mexico.

These shifts in the high-altitude air currents appear to have caused changes in Pacific coast sea currents. Puzzled fishing fleets have netted popular restaurant fare such as swordfish and thresher shark, only further north and hundreds of miles further out into the windy ocean than where they expected to find them. Large Mexican shrimp seem to have simply washed away. Salmon have been absent from their regular habitats for more than half a year.

Golden Fried seeks Holly Farms units

(Continued from page 5)

sale is different because it does not represent the outright purchase of one chain by another.

It appears, though, that this is a major attempt by Holly Farms' parent Holly Farms Poultry to get out of the restaurant business. It is primarily in the food-products business. It also operates as a joint venture with Safeway Supermarkets 45 Holly Farms restaurants in Washington, D.C., Maryland, Virginia and parts of North Carolina. A spokesman said these were also for sale but were not part of the deal with Golden Fried.

Holly Farms Poultry is a wholly owned subsidiary of The Federal Company, a Tennessee-based holding company.

Ray Pierce, the former president of Holly Farms Fried Chicken, has reportedly resigned and could not be reached for comment. The 14-year-old chain is being run by Tom Mitchell, vice president, controller; Bruce Miller, vice president, personnel, and Larry Perry, vice president, engineering.

HoJo behind mid-priced Plaza Hotels

(Continued from page 5)

ness traveler the amenities they said were necessary.

While the new concept is launched, renovation of the entire Motor Lodge system continues. Within five years there will be 70 to 90 new Plaza Hotels and a completely refurbished Lodging chain.

The element tying the two concepts together is room design. The rooms in the Plaza Hotels are the same found in a Motor Lodge. Ferris expects business customers who are happy with the rooms at the Hotels will consider staying at a Motor Lodge when they are not on business.

By developing a full service, midprice hotel, execs say they are taking firm command of the midpriced business market, an area other chains are neglecting, according to Hostage.

Hostage suggests that the company's competition is involved in developing high-end concepts and is leaving a gap in the midprice market. Ramada is working on Ramada Hotels and Renaissance concepts. Marriott is working on the Courtyard.

The new hotels will benefit from recent improvements made in the Motor Lodge segment. Hostage has added a team of eight quality assurance personnel who will oversee the implementation of systemwide standards. A full sales department has been organized to sell Howard Johnson's rooms in Tokyo, London, Europe and the West Coast in addition to regional efforts. And recently, a marketing department with special programs for travel agents and a full line of incentives for different market segments has been created.

Of the six Plaza Hotels expected to open this year, the first will be a refurbished Sheraton Hotel in Washington, D.C., to be called the Washington Plaza Hotel. All hotels, ranging from 100 to 350 rooms, will bear the Howard Johnson's logo near the entryway.

Arby's net rises 41% to $10.6 million for fiscal year

(Continued from page 6)

Stock analysts have speculated that Posner might be interested in selling off either Arby's or Royal Crown's home furnishings business.

Belasco dismissed the idea as "just supposition." He did admit that "anything *could* happen."

Posner has said he wants to keep present management in place at Royal Crown, but certainly officials of neither RC nor Arby's are taking that as a guarantee.

The acquisition flurry at Royal Crown comes at a time when Arby's has been making news of its own with a slew of new product introductions: A fish fillet sandwich and croissant breakfast program most recently, and before that a bacon, cheddar cheese roast beef sandwich and a chicken breast sandwich.

Abraham Wechsler, Restaurant Assoc. founder, dies at 83

(Continued from page 7)

Michael Slater in Moonachie as president and ceo.

Abe Wechsler also was a major philanthropist, active in Jewish philanthropies and other causes. He is survived by his wife, Jeanne; his son, Robert Wechsler, former Wechsler Coffee president and now an investor/consultant; two sisters, Elaine Ruth Slater and Grace Wechsler Forrest; 12 grandchildren, and 13 great-grandchildren.

McD denies discrimination as court showdown looms

(Continued from page 228)

the 50 or so McDonald's franchisees in the Los Angeles area, only nine have more stores than Griffis, and they've been in the system longer, Silberman adds.

Rather than discriminate against him, he continues, McDonald's gave Griffis preferential treatment.

McDonald's turned Griffis's application for a fifth restaurant because he was "not qualified" to have it, Silberman says. "In 1982, he was told there are things you have to do to stay on the growth track."

Griffis, Silberman adds, was told he did not have the management developed for a fifth store nor the necessary cash. "McDonald's told him he was financially sound on the balance sheet but the amount of equity in McDonald's business was thin," Silberman says. "We told him he had to put his financial house in order."

Silberman's account is in direct contrast to the ombudsman's report that characterized Griffis as "expandable," meaning he had the equity and management depth to open additional units.

After Griffis filed his countersuit against McDonald's last year, the company started harassing him; he says: "Once McDonald's sues you, they get involved with others to bring pressure on you. McDonald's has enough muscle to cause you a lot of worry."

Worry for Griffis came in the form of a visit by the Internal Revenue Service, which checked his financial records, and another visit by McDonald's auditors who went through four years of financial records.

Then, on Dec. 15, Griffis got the worst news of all. He was notified by his food vendor, a major McDonald's supplier in California, that he was being put on a cash-on-delivery basis. This was after years of enjoying credit with the vendor.

The following day, the local operators' advertising council attached his checking account for $107,000. Griffis put his own money in escrow to remove the lien from his account.

"If I didn't have some money I'd have been out of business," he declares. Of the IRS audit, the lawsuit and the food vendor trouble, Griffis says bluntly, "McDonald's orchestrated all that. What they're trying to do is put pressure on me and tie up my cash flow. Then I can't get my food and they'll close my stores."

Silberman denies that McDonald's has been party to any harassment.

In the food vendor case, he says, "Not only did McDonald's have nothing to do with that but McDonald's asked them [the vendor] to cancel [the C.O.D. order].

Griffis says his wife, Patricia, obtained a $407,000 loan to open two franchised Popeyes fast-food chicken restaurants last year. Silberman, however, aserts the two units are "not Mrs. Griffis's business in any respect." He claims Griffis has been encouraging his McDonald's employees to work at the Popeyes units and has been supporting those restaurants with McDonald's funds.

McDonald's has been insisting all along that Griffis' charge of racial bias are merely a smokescreen and the case is nothing more than an attempt by the chain to have its franchisee play by the rules.

"What I think we have is an effort by Mr. Griffis to portray this as something it is not," Silberman says.

Griffis counters that it is impossible for him to play by the rules "if they change the rules for every game." He characterizes himself as a team player who has done "everything I could to keep this out of court.

Other black franchisees have complained over the years about McDonald's discriminatory policies. Last fall, the Black McDonald's Operators Association unanimously passed a resolution containing many of the complaints that Griffis has aired.

In November 1977, for example, Henry Clark, then a McDonald's franchisee, testified before the California State Assembly Finance, Insurance and Commerce Ad Hoc Subcommittee on Franchising that "McDonald's has a discriminatory policy with reference to minority franchisees."

On June 7, 1982, Rev. Jesse Jackson met with Reggie Webb, senior regional manager of McDonald's in Los Angeles, to discuss relationships between McDonald's and its black franchisees.

In February, the Los Angeles chapter of the N.A.A.C.P. disclosed it is launching an investigation of McDonald's and hinted that a boycott may be in the works if it found instances of racial bias.

"People told me McDonald's plays hardball," he says. "Nobody wants to mess with McDonald's. I don't know if I'm a fool or a martyr or what, but I don't let anyone slap my face. I had to sue for the things all black operators complain about."

7-Eleven set to expand its fast-food offerings

(Continued from page 5)

JT's is perhaps a joint venture with 7-Eleven. Actually, the shops bear the initials of Southland's chief officers, John Thompson, chairman, and Jere Thompson, president.

At the Dallas store, which is not typical of the standard 7-Eleven unit design, a major portion of the space is devoted to quick-serve foods. Included are a variety of Southland's fast-food entries, ranging from frozen foods for the microwave to a Fresh Fry section, to the new bakery and sandwich shop.

While the Dallas store was layed out to fit the available space and is not a prototype, Krysiak indicated that certain components of that store will be incorporated into 7-Elevens in the future.

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Bar Management supplement—Inside
Franchising in the 80's—Pp. 36-39

Nation's
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The Newspaper of the Food Service Industry

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One experimental Red Lobster format under test in Florida features a wider, lower-priced menu, a singles-centered oyster bar and an open-to-view mesquite grill. Inset: Red Lobster president Bill Hattaway.

Red Lobster slated for massive overhaul

By Rick Telberg

ORLANDO, Fla.—Delayed by complacency and a misreading of the reasons behind recent sales declines, General Mills' Red Lobster executives are finally mapping a dramatic overhaul of the 370-unit seafood dinnerhouse chain.

A still-experimental new format in nearby Kissimmee, one of 35 tests under way, incorporates a wider and lower-priced menu, a singles-mingling oyster bar and an open-to-view mesquite grill.

General Mills has earmarked $75 million over the next two years to rehabilitate the entire chain. Up to 120 units, at $200,000 a pop, could be done this year, with the rest to follow next year.

"This time we're tearing down the walls, literally," said Joe Lee, president of the General Mills restaurant group, comparing the current project to mostly superficial redecoration wrought in the mid-1970's.

The new format is clearly designed to boost traffic, apparently running below 1982 levels by about 6%, with profits down as much as 10%.

New menu items include linguini, priced at $2.50 to $7.95, with five sauces and three portion sizes geared to lunch, dinner and appetizers. Set to roll this month, they will be supported with advertising that touts price.

Other new menu items include some pages from the

(Continued on page 58)

Shutters 35 units

Financial shortfall trips fast-moving Naugles Inc.

By Richard Martin

FULLERTON, Calif.—Facing mounting financial pressure, Naugles Inc. has closed some 35 unprofitable units and completely pulled out of some expansion territories in its rapidly growing 11-state chain of fast-food drive-thrus. The surprise move reduces the number of its burger-taco-burrito outlets to about 180 in eight states.

Naugles expects to report a net loss which could run between $4 million and $4.5 million for the third quarter ending April 5.

Additionally, chairman and ceo Harold Butler said the company would suspend franchising, slow its rate of expansion to 11 more units for the balance of fiscal 1984 and open only 35 to 40 more stores next year in its remaining markets.

All units in Texas, Oklahoma and Indiana have been closed and will be sublet. Naugles continues operations in California, Florida, Illinois, Missouri, Nevada, Utah, Wisconsin and Kansas, but will sublet closed units in each of those states except Kansas, where the company has one unit in the Kansas City, Mo., market.

Territorial franchise deals will proceed with Clark Stanley Corp. for the New York City area and with La Gracia Corp. for

(Continued on page 58)

Rosenthal takes action

Renaud ousted at Jerrico; Tobe named president, ceo

By Charles Bernstein

LEXINGTON, Ky.—Acting in the face of flat traffic counts, steady earnings dips and a volatile stock listing that plummeted from $23 a share last fall to a recent $12, Jerrico founder and chairman Warren W. Rosenthal this month did the toughest thing he has ever had to do in a long line of tough decisions: He discharged perhaps his best friend, Ernest Renaud, who had succeeded Rosenthal as corporate president and ceo 1½ years ago.

Although officially it was the board of directors that voted on the action after a 12-hour marathon meeting behind closed doors, it was clearly Warren Rosenthal who agonized over it and decided what had to be done. It wasn't easy for Rosenthal, 60, considering that Renaud, 55, has been a loyal tower of strength in Rosenthal's Long John Silver's empire through thick and thin over the past decade.

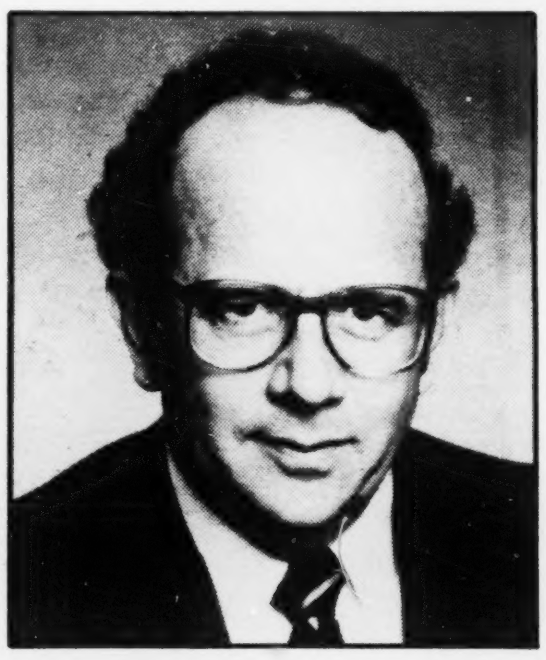
But Rosenthal's decision to promote financial and administrative-oriented John Tobe from executive vice president and chief financial officer to succeed Renaud as Jerrico president and ceo and as LJS president was widely hailed on Wall Street and by some franchisees as "a necessary move to get the company and the stock moving again."

Tobe, 44, was described by some outside sources as more assertive and "more of a ceo type." Tobe is known to have been extremely disappointed

(Continued on page 58)

Warren W. Rosenthal

Ernest Renaud



John Tobe

PepsiCo plots fast nat'l growth for 41-unit bakery/cafe concept

MILL VALLEY, Calif.—Taco Bell and Pizza Hut franchisees and others from the PepsiCo family may hold the key to the national expansion strategy of La Petite Boulangerie, PepsiCo's newest food-service vehicle.

Combining a French-style retail bakery having exhibition ovens, with a sandwich-and-pastry cafe, the La Petite Boulangerie concept has grown to a 41-unit chain since it was acquired by PepsiCo as a three-unit operation in January 1982.

With the company itself so far developing four major West Coast markets, plus Denver, prospective franchisees are expected to come in large part from the ranks of the other PepsiCo food-service subsidiaries for nationwide development of the bakery/cafe chain.

Company sources say Pepsico was partly inclined toward development of the LaPB system to provide an avenue through which successful "family members" could continue to grow, in an area that would not compete with their Taco Bell and Pizza Hut ventures. Their proven track records and familiarity with their respective markets were seen as added advantages.

Since the company began franchising just last November, four ADIs in the West have been sold, including the most recent—for the Greater Portland, Ore., market—to 88-unit Calny Inc., Taco Bell's largest franchisee, based in San Mateo, Calif.

ADIs not for sale—those being developed by the company—are Los Angeles, Orange County, San Diego, Denver and the San Francisco Bay area (where the chain began in 1977 as the San Francisco Boulangerie).

Besides Calny's Portland-area territory, the three other already franchised ADI's are Stockton/Sacramento, Phoenix and San Fernando Valley/Ventura.

PepsiCo has deployed an experienced executive management team at La Petite Boulangerie, including a number of Burger Chef veterans. Heading the operation is president Terry Collins, who came up through the McDonald's ranks

(Continued on page 58)

LATE NEWSBREAKS

Marriott Corp., seeking to tighten the reins on its diverse 21-group Big Boy network, has restructured the management team. Marriott named Edward W. Doherty, vice president of Marriott Family Restaurants, to head the entire Big Boy franchise organization as well as company-owned Big Boys on the East Coast. Elmo Geoghegan, executive vice president, Big Boy West, will continue to direct company-operated Big Boys on the West Coast.

But in a possible blow against integration of the Big Boy system, a U.S. District Court judge in Ohio has denied a motion by Cincinnati-based Frisch's for a preliminary injunction to prevent Nashville-based Shoney's from opening Towne and Country restaurants in Kentucky and Florida.

Retail giant K mart Corp., which acquired 110-unit Furr's Cafeterias in 1980, has agreed to acquire Associated Hosts, operator of 78 casual theme Bombay Bicycle Clubs and Smugglers Inns dinnerhouses in 26 states.

Diversifoods suffers $2.4 million fourth-quarter loss

ITASCA, Ill.—Diversifoods, the company created late last year by the merger of Chart House and Godfather's Pizza, has reported a fourth-quarter net loss of $2.4 million for the period ended Dec. 31, as against a combined $8.9 million profit for the two firms a year earlier.

For the year, Diversifoods reported pooled net profit fell 26% to $20.5 million on a 16% revenue gain to $484.4 million. Fourth-quarter revenue was up 13.8% to $125.2 million.

The figures also include results of Pizza Ventures Inc., a franchisee that merged with parent Godfather's a few months before the formation of Diversifoods.

These results, however, include an after-tax charge to earnings of $12.5 million for merger expenses and the discontinuation of two former Chart House restaurant concepts—Cork 'N Cleaver and Cisco's Mexican restaurants. Without these charges, net profit for the year would have been $32.9 million, an 18.9% increase over fiscal 1982 results.

The majority of these one-time charges were reflected in Diversifoods' fourth quarter, when the merger took place. For that period the company reported a net loss of $2.4 million compared to a compiled net profit of $8.9 million for the year-earlier quarter. Revenue for the quarter was $125.2 million, a 13.8% increase over the previous year's fourth quarter.

Change

In addition to merger expenses, company officials indicated that fourth-quarter results also reflect costs incurred to position the company for 1984 growth, including management personnel additions, product promotions and labor staffing improvements.

According to Donald N. Smith, Diversifoods president and ceo, the Cork 'N Cleaver and Cisco's concepts "offered limited growth opportunities for the company, particularly in franchising capability." These assets will be redeployed in concepts that offer greater return on investment and better growth potential for the company.

Desirable Cork 'N Cleaver and Cisco's locations, Smith said, will be used to develop Moxie's, with about 15 to 20 of the gourmet hamburger restaurants expected to open in 1984. There were only two Moxie's operating at the end of fiscal 1983.

Diversifoods and its franchisees, according to Smith, plan to open approximately 275 new restaurants during 1984, principally Godfather's Pizza and Luther's Bar-B-Que operations. About one-third of the Godfather's and one-half of the Luther's are slated to be company-owned restaurants.

Diversifoods, which operates the franchises more than 1,400 restaurants in the United States, Canada, Puerto Rico and the U.S. Virgin Islands, is the single largest franchisee of Burger King restaurants. In addition to Godfather's Pizza, Luther's Bar-B-Que and Moxie's, the company also operates Chart House restaurants.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended March 9							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change					Indicated Dvd. Rate			Last Fiscal Year			Last Fiscal Year (Per Share)		
					Change		52-Week																				
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct.	5-Year Annual Growth Rate	Profit Margin	Latest P/E Ratio	Amt.	Yield	Last X-Dvd. Date	Revenue	Earnings	Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
A&M Food Svcs	AMFD	6.50	6.00	6.50	.50	8.33	8.75	.00	-.61	1.67	-3.71	26.92	.40	.40 F	NC	10.0	4.3	16.3	.00	.0	00-00-00	25.4	1.1	.9	.39	1.09	1282
Acapulco Y Los	ALAR	5.00	4.50	5.00	.63	14.29	7.25	4.25	-.37	.36	7.66	-31.47	-2.05	-2.13 Q	-775.0	-74.0	-12.9	NE	.00	.0	01-06-81	37.9	-4.9	1.8	6.37	1.01	1083
Am Motor Inns	INN	30.88	28.75	29.88	.13	.42	38.50	27.13	-.09	-.10	-2.91	-35.07	2.52	.55 S	24.3	42.0	8.6	10.6	.30	1.0	01-26-84	162.5	13.9	1.8	12.04	15.89	0783
ARA Services	ARA	45.50	42.50	43.00	-2.50	-5.49	55.25	40.25	-.41	-.13	-1.42	28.22	4.37	1.21 Q	36.7	-3.0	1.7	9.6	2.05	4.8	02-24-84	3056.6	52.0	1.1	23.29	46.15	0983
Assoc Hosts	AHST	15.00	10.88	15.00	3.25	27.66	18.50	10.50	-.28	3.69	5.18	20.40	.72	.45 Q	128.5	-1.0	3.6	18.8	.12	.8	03-06-84	88.3	3.2	1.3	5.25	5.71	0983
Beefsteak Char	BCS	3.75	3.50	3.50	-.13	-3.45	9.25	3.50	-.36	-1.07	-2.21	10.65	-1.30	-2.34 Q	-285.3	-53.0	-6.8	NE	.00	.0	00-00-00	98.2	-6.7	1.3	5.92	4.23	1082
Bob Evans Farms	BOBE	20.25	18.00	18.00	-1.00	-5.26	26.81	18.00	-.45	-.67	2.13	-16.81	.89	.14 N	16.8	21.0	7.5	18.6	.26	1.4	02-10-84	187.5	14.1	3.0	.00	5.54	0483
Brock Hotel Cp	BHC	6.63	6.00	6.63	.63	10.42	11.25	5.38	-.08	1.09	-.81	37.96	.55	-.97 N	-118.2	-6.0	2.8	NE	.10	1.5	01-24-84	255.6	7.1	1.1	16.64	4.38	1282
Calny Food	CLNY	9.25	8.00	8.00	-1.00	-11.11	11.50	8.00	-.21	-1.79	4.00	-89.37	.53	-.03 N	-4.9	8.0	4.6	13.8	.16	2.0	01-25-84	30.2	1.4	.4	2.48	1.49	0283
Captain Crab's	CRAB	4.75	4.50	4.50	.50	12.50	8.38	3.50	.73	-.19	3.49	-11.33	.00	.00 Q	NC	NC	.0	NC	.00	.0	00-00-00	1.5	.0	7.5	.01	.29	0883
Carrols Cp	CRL	8.75	7.75	8.13	-.25	-2.99	11.88	4.88	-.02	.18	.28	-43.68	.50	.26 Q	83.8	99.0	3.7	14.3	.05	.6	12-23-83	84.2	3.1	.8	3.66	2.42	0583
Chi-Chi's	CHIC	19.50	17.50	17.75	-.13	-.70	29.00	13.94	-.08	-.97	-.97	49.97	.39	.26 S	96.2	67.0	9.4	33.5	.00	.0	09-28-83	94.2	8.9	2.6	1.87	1.62	0483
Ch Full O Nut	CHF	13.63	12.25	12.38	-.50	-3.88	24.38	10.25	.59	-.02	-2.01	-22.25	.64	.15 Q	32.6	-2.0	2.9	20.3	.50	4.0	12-09-83	111.6	3.2	2.9	.34	6.69	0783
Churchs Fr Ch	CHU	22.75	21.75	22.00	-.50	-2.22	33.50	21.25	-.13	.16	-.72	-.36	1.66	-.53 F	-24.2	3.0	6.8	13.3	.72	3.3	01-23-84	464.1	31.6	1.8	.62	11.74	1282
Cindys Inc	CNDYC	2.88	2.63	2.88	.25	9.52	4.00	2.63	.00	.51	-1.39	-52.31	.13	.46 S	NE	30.0	2.1	9.9	.00	.0	00-00-00	14.3	.3	.0	4.63	.43	1282
Collins Foods	CF	17.00	15.75	16.25	-.75	-4.41	21.63	13.94	-.40	.38	-.95	-23.95	1.47	.30 S	22.5	28.0	3.8	10.0	.20	1.2	12-23-83	324.4	12.4	1.8	4.14	8.71	0483
Concept Dev	CDII	21.50	17.38	21.38	3.88	22.14	21.50	14.53	.38	1.73	2.15	3.21	.08	.57 S	NC	86.0	1.3	37.5	.00	.0	02-10-84	7.8	.1	1.0	.40	1.99	0683
Consul Corp	CNSL	13.88	12.75	12.88	-.50	-3.74	18.75	10.88	.54	-.92	-2.73	-23.33	.26	.30 S	500.0	40.0	2.5	40.2	.00	.0	00-00-00	32.0	.8	5.0	1.08	5.67	0583
Cracker Barrel	CBRL	18.25	17.25	17.25	.00	.00	27.34	15.34	.19	-.72	-4.19	-35.64	.86	.10 S	12.5	25.0	4.4	19.2	.14	.8	02-28-84	45.7	2.0	4.1	2.64	7.33	0783
Denny's Inc	DEN	33.25	30.50	30.75	-1.75	-5.38	39.25	29.00	-.01	-.96	1.05	62.31	2.54	.15 S	5.8	12.0	3.8	11.4	.72	2.3	03-06-84	1054.6	40.2	1.7	17.92	17.17	0683
Divfood	DFDI	15.13	14.13	15.00	.63	4.35	25.50	12.75	-.05	.87	2.58	-18.77	.99	.05 F	5.3	58.0	6.8	15.2	.00	.0	00-00-00	484.3	32.9	2.1	.55	1.99	1282
Dunkin Donuts	DUNK	19.00	18.38	18.50	-.38	-1.99	28.75	18.13	-.12	-.11	-2.66	-13.14	1.62	.22 Q	15.0	24.0	10.2	11.0	.28	1.5	11-01-83	77.5	7.9	.9	5.93	9.56	1083
Fast Food Oper	POPI	1.88	1.69	1.69	.06	3.85	4.63	1.13	.48	-2.66	1.34	12.35	.05	.05 N	NC	81.0	6.5	33.8	.00	.0	00-00-00	4.6	.3	2.0	.02	.36	1282
Frisch's	FRS	27.25	26.00	26.25	-.63	-2.33	32.94	14.91	-.38	-.38	-6.15	-9.62	1.85	.77 S	51.3	25.0	3.7	11.6	.40	1.5	11-28-83	110.6	4.1	1.3	5.73	14.56	0583
Garcias Scot	GMEX	6.50	5.88	6.00	.00	.00	15.88	5.63	-.47	-1.11	-.44	27.07	-.20	-.46 N	NC	12.0	-3.2	NE	.00	.0	00-00-00	25.0	-.8	1.1	.52	4.10	1282
Hambrg Hamlet	HAMB	10.50	10.25	10.50	.25	2.44	12.00	8.25	.31	.59	-1.65	.00	-1.10	-2.11 Q	-185.0	-33.0	-2.4	NE	.00	.0	00-00-00	34.0	-.8	1.0	20.86	11.96	0383
Hilton Hotels	HLT	51.00	48.00	48.88	.63	1.30	60.25	43.00	-.22	-.35	-1.03	30.37	4.20	1.08 F	34.6	6.0	16.8	11.6	1.80	3.7	02-27-84	669.6	112.6	2.0	6.73	21.31	1282
Holiday Inns	HIA	45.13	41.75	44.25	2.00	4.73	59.00	38.00	-.23	.80	.06	37.79	3.28	.78 F	31.2	12.0	7.8	13.5	.90	2.0	03-12-84	1585.1	124.4	.9	11.74	25.35	1282
Horn & Hardart	HOR	18.88	15.38	17.25	-.25	-1.43	30.78	15.31	-.41	.11	3.65	-13.34	.70	.46 N	76.6	80.0	2.8	16.3	.00	.0	11-25-83	235.4	6.6	1.1	9.01	4.54	1282
Hungry Tiger	HTIG	7.00	6.00	6.00	-.75	-11.11	11.13	6.00	-1.00	-1.75	-3.43	6.47	.00	-.79 Q	-114.4	-16.0	.0	NE	.00	.0	11-15-82	63.8	.0	.9	4.75	3.66	0883
Intl Dairy Queen	INDQ	33.00	33.00	33.00	.00	.00	40.00	28.00	-.06	.55	-5.32	-15.00	2.94	.77 F	35.4	72.0	6.2	11.2	.00	.0	00-00-00	115.7	7.2	1.0	11.31	7.21	1183
Int King Tab	IKNG	14.63	12.75	14.63	1.13	8.33	23.00	8.69	-.33	2.18	-2.16	27.39	.92	.94 S	241.0	63.0	4.8	11.0	.00	.0	08-15-83	50.0	2.4	.4	5.16	3.18	0683
JB's Rest	JBBB	13.63	13.00	13.38	.38	2.88	18.13	11.50	-.09	.11	-2.02	-44.44	1.00	.06 Q	6.2	22.0	4.1	13.1	.20	1.5	02-07-84	53.3	2.2	1.0	5.17	7.42	0983
Jerrico Inc	JERR	13.88	11.88	13.75	.00	.00	23.13	11.88	-.25	.45	-2.40	-5.88	1.33	-.07 S	-5.3	17.0	4.6	11.1	.12	.9	01-30-84	452.1	21.0	1.8	5.03	10.28	0683
Kapok Cp	KPK	4.63	3.88	3.88	-.75	-16.22	10.75	3.88	-.84	-.81	2.00	-5.77	-1.29	-.92 F	NE	-52.0	-22.0	NE	.00	.0	00-00-00	12.3	-2.7	.7	1.74	2.45	0983
Kelly-Johnston	KEJO	8.75	7.63	7.88	-.75	-8.70	18.75	6.75	-1.81	-.81	.49	-17.57	.40	-.31 N	-75.6	16.0	6.3	78.8	.00	.0	10-13-82	38.0	2.4	4.0	3.29	4.41	0383
Karcher Carl	CARL	26.50	23.75	23.75	-2.00	-7.77	43.75	23.00	-.11	-2.04	-2.50	12.53	1.32	.34 S	28.5	23.0	4.0	15.5	.00	.0	02-16-83	231.0	9.3	2.4	8.31	8.13	0183
Luby's Cafe	LUB	34.25	32.50	32.63	-.63	-1.88	39.75	28.00	.13	-.64	.38	-13.77	1.53	.18 Q	12.8	28.0	9.8	20.6	.60	1.8	03-05-84	141.4	13.9	1.6	.60	7.80	0883
Marcus Corp	MRCS	12.38	11.75	12.25	.50	4.26	15.13	10.00	-.19	1.59	-5.97	20.61	1.28	.27 S	23.6	7.0	6.1	8.7	.25	2.0	07-01-83	108.9	6.6	1.2	2.72	11.07	0583
Marriott Corp	MHS	65.25	63.25	63.88	-.13	-.20	81.00	56.00	-.03	.40	-1.30	13.10	4.15	.71 F	20.6	37.0	3.8	15.4	.44	.7	03-19-84	3036.7	115.2	.9	33.49	19.43	1282
McDonald's Cp	MCD	66.50	63.13	65.00	-.25	-.38	74.50	55.75	.05	.16	-.09	-4.74	5.74	.74 F	14.8	24.0	11.2	11.3	1.00	1.5	01-24-84	3062.9	342.6	.5	17.62	25.51	1282
Morrison Inc	MORR	15.13	13.38	14.00	-1.13	-7.44	21.06	13.38	-.44	.64	3.52	20.64	1.34	.19 S	15.4	13.0	4.5	9.9	.40	2.9	12-30-83	416.4	18.7	1.5	2.39	8.57	0583
Mr Steak	MSST	8.13	7.50	7.63	-.38	-4.69	10.50	4.25	-.48	.54	-8.20	-36.70	.45	1.46 Q	NE	-25.0	1.1	16.9	.00	.0	05-29-80	63.2	.7	1.3	4.01	4.26	0983
Nathans	NATH	2.50	2.25	2.50	.00	.00	3.63	1.44	.75	.59	.04	-23.77	.09	.12 N	120.0	25.0	1.1	11.4	.00	.0	09-09-83	17.5	.2	.8	.05	1.79	0383
Naugles Inc	NAUG	14.50	9.25	10.00	-4.75	-32.20	32.75	9.25	-.81	-9.88	8.00	27.63	.70	-.10 S	-13.3	59.0	3.6	15.4	.00	.0	11-01-82	86.7	3.1	.8	6.57	4.96	0683
Oakbrook Cons	OKCO	17.50	16.00	17.50	1.50	9.38	18.50	14.00	.43	.56	10.81	.00	.84	.15 F	21.7	-10.0	.3	20.8	.32	1.8	12-08-83	160.4	.5	.7	7.17	14.49	0983
Peoples Rest	PEPL	5.00	3.88	5.00	.63	14.29	15.13	3.88	-1.09	5.31	4.12	-22.67	.28	.04 S	22.2	99.0	7.5	22.7	.00	.0	00-00-00	25.3	1.9	1.3	1.86	4.41	0683
Piccadilly Caf	PICC	17.50	16.38	16.38	.00	.00	17.88	12.75	.40	-1.23	3.03	-15.21	.99	-.43 S	-33.0	2.0	3.9	18.8	.60	3.7	03-09-84	152.7	6.0	1.6	.00	7.71	0683
Pizza Inn	PZA	11.63	10.00	11.25	1.00	9.76	17.50	7.84	-.31	.45	-1.48	-41.81	.55	.70 N	179.4	9.0	1.3	10.3	.08	.7	01-10-84	135.1	1.7	.9	12.32	6.63	1282
Pizza Time Thea	CHKY	5.50	4.13	5.38	.25	4.88	26.00	3.38	.03	3.72	-1.06	-10.38	1.27	-1.69 N	-150.8	86.0	7.6	NE	.00	.0	00-00-00	99.3	7.5	1.2	5.53	9.23	1282
Po-Folks	POFO	13.88	13.25	13.63	.25	1.87	16.75	12.75	-.20	.17	.56	-7.20	.37	.41 Q	NC	4.0	1.9	33.2	.00	.0	00-00-00	69.8	1.3	1.1	4.68	4.95	0983
Ponderosa Sys	PON	21.50	19.63	19.75	-1.00	-4.82	25.25	16.00	-.22	-.52	-.23	-2.76	1.50	-.41 N	-25.7	-5.0	2.8	16.7	.40	2.0	03-02-84	376.7	10.4	.8	8.03	12.43	0283
Ramada Inns	RAM	7.75	6.88	7.38	-.25	-3.28	11.88	6.88	-.58	.08	-2.99	-17.62	.13	.86 F	NE	-24.0	.7	56.7	.00	.0	10-19-81	573.8	4.2	.6	18.50	5.12	1282
Rax Restaurants	RAXR	16.75	16.75	16.75	.50	3.08	23.25	.00	-.14	.55	.34	-29.37	.57	.63 Q	NC	57.0	3.8	26.6	.00	.0	00-00-00	63.0	2.4	1.7	4.33	3.63	0783
Restaur Assc	RA	7.75	7.13	7.38	.13	1.72	11.38	7.00	-.52	-.12	2.34	-17.70	.88	.10 F	12.8	31.0	1.9	8.4	.00	.0	00-00-00	118.9	2.2	1.0	3.98	7.15	1282
Ryans Fam Steak	RYAN	18.25	16.00	18.00	1.50	9.09	28.25	14.25	-.39	.00	.35	54.00	.52	.20 F	62.5	86.0	10.6	34.6	.00	.0	04-20-83	19.8	2.1	3.1	.34	1.61	1282
Saga Corp	SGA	28.00	25.50	26.50	1.13	4.43	40.25	22.19	.29	-.11	-5.74	-10.40	2.10	.52 S	29.7	64.0	2.3	11.7	.44	1.7	02-10-84	978.8	22.4	.9	4.65	10.62	0683
Sandwich Chef	SHEF	11.75	9.75	11.75	2.00	20.51	15.50	9.00	.26	5.59	5.44	53.51	.70	-.18 S	-23.6	17.0	4.5	20.3	.00	.0	00-00-00	20.2	.9	1.5	.08	5.38	0683
Sea Galley	SEAG	9.00	8.13	9.00	.63	7.46	15.00	7.50	.43	1.07	-.67	-7.30	.23	-.12 F	-34.2	5.0	1.2	39.1	.00	.0	06-02-81	73.0	.9	1.3	5.10	4.90	1282
Servico Inc	SRVI	16.00	13.50	14.50	.50	3.57	18.00	12.72	-.42	-1.12	-.76	32.48	.67	-.35 N	-36.8	26.0	1.5	24.2	.00	.0	09-09-83	138.1	2.1	1.1	59.81	5.64	1282
Shoney's Inc	SHON	23.50	21.88	22.25	.38	1.71	27.38	20.00	.09	-.56	.05	-8.45	1.17	.25 F	27.1	37.0	6.0	19.0	.16	.7	01-04-84	392.8	23.4	1.6	2.64	6.83	1083
Sizzler Rest Intl	SIZZ	10.75	9.75	10.38	.63	6.41	16.25	8.75	.16	.76	-2.14	-9.63	1.01	.08 N	8.3	15.0	4.5	10.0	.00	.0	00-00-00	128.0	5.8	2.3	1.49	6.27	0483
Skippers	SKIP	9.75	9.25	9.50	-.25	-2.56	15.50	7.16	-.01	1.09	-3.99	-17.39	.81	.33 F	68.7	25.0	4.0	11.7	.06	.6	10-11-83	50.5	2.0	.5	3.38	6.69	1282
Sonesta Hotel	SNSTA	17.50	17.50	17.50	.00	.00	22.00	16.50	.14	.56	8.90	43.24	1.02	.65 F	175.6	-6.0	2.3	17.2	.26	1.5	10-05-83	73.4	1.7	1.1	34.95	12.68	1282
So Hospitality	SHOS	4.88	4.25	4.50	.25	5.88	7.50	4.25	.11	-.98	6.84	-2.91	.27	.07 S	29.1	89.0	3.8	14.5	.00	.0	00-00-00	26.3	1.0	.8	4.32	.24	0583
Steak n Shake	STAK	7.88	7.63	7.63	.25	3.39	10.00	4.13	-.39	.39	-4.04	-37.82	.29	.07 Q	31.8	67.0	2.1	26.3	.00	.0	05-17-79	63.4	1.3	1.3	4.90	3.05	0983
Victoria Stations	VSTA	6.38	5.50	5.88	-.50	-7.84	13.63	5.50	-.65	1.01	-4.50	7.11	.39	-1.81 N	NE	-85.0	-7.1	NE	.00	.0	09-19-79	111.9	-6.0	.6	8.39	8.51	0383
Wendys Intl	WEN	20.00	19.00	19.38	-.63	-3.13	22.00	14.38	.31	.11	-.07	-13.29	1.35	.22 F	19.4	20.0	7.7	14.4	.32	1.7	11-03-83	720.4	55.2	.8	2.53	6.50	1282
Western Steer	WSMP	10.00	9.75	9.75	-.25	-2.50	17.50	9.75	-.61	.81	-2.25	34.84	.92	-.07 N	-6.1	7.0	3.1	9.2	.16	1.6	11-18-83	28.8	.9	1.3	6.21	7.23	0283
Winners Cp	WNER	11.63	11.00	11.50	.50	4.55	17.13	10.75	-.58	[illegible]	-.64	-53.35	.63	.00 F	.0	9.0	3.3	18.3	.00	.0	03-10-83	88.2	2.9	.5	7.06	6.43	1282

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

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FINANCIAL NEWS

Beefsteak Charlie's suffers $777G loss in 1st quarter

NEW YORK—Customer count erosion continues to plague Beefsteak Charlie's which reports a $777,000 loss on 9% drop in revenue to $20 million for the first quarter ended Jan. 21 compared to year-earlier results when the chain posted a $333,000 net profit.

Reduced customer traffic coupled with increased labor and other costs contributed to the operating loss, a spokesman said.

In an effort to win back customers, Beefsteak Charlie's last year started renovating many of its 68 dinnerhouses and rolling out lower-priced menu items chainwide. It is also converting some units to a new upscale burger concept called Daly's Dandelion.

At the seven restaurants that have been renovated, customer counts are "running well ahead of the chain's average," a spokesman said.

Beefsteak Charlie's established its reputation in the mid-1970's as a value-oriented chain by promoting complete dinners with steak entrees, unlimited shrimp and salad bars and beer, wine or sangria for one price.

Wholesale food-price hikes in recent years led to higher menu prices and as average checks rose, customers went elsewhere.

To re-establish its price-value relationship in consumers' minds, the chain is adding à la carte steak dinners and lower-priced Mexican and seafood items. A recent TV ad campaign emphasizes Beefsteak Charlie's "quality and value."

Meanwhile, the first Daly's Dandelion upscale burger restaurant opens next month in Nanuet, N.Y., in a converted Beefsteak Charlie's. The unit will feature freshly ground burgers with "gourmet" toppings, premise-made pastas and baked goods, salads, appetizers, specialty drinks and desserts.

In an interview last month in *Nation's Restaurant News*, vice president-treasurer Marvin Shore said three Daly's Dandelions will be open by summer and, if they do well, a substantial number of Beefsteak Charlie's will be converted to the new concept.

Shoney's South net jumps 157% to $4.9M in '83

MEMPHIS—Shoney's South reported net profit for the fiscal year ended Dec. 25, up a whopping 157.8% to $4.9 million over fiscal 1982.

Revenue increased 16.8% to $143.1 million.

For the fourth quarter net profit jumped 342% to $1.06 million and revenue 16% to $33.4 million.

Shoney's South owned or operated 185 restaurants at year-end, compared to 181 the previous year.

The company attributed increases in net profit to reduced interest costs, higher sales volumes, greater operating efficiencies and effective cost controls.

"More than any other factor, profit increased because of increases in average store volumes," stated chairman James Prentiss. "That was due in part to the recovery, and the continuing effect of the breakfast bars, remodeling of stores and adding atriums."

The restaurant concepts Shoney's South owns, operates or franchises include Shoney's Big Boy, Captain D's, Hungry Fisherman, Willie Moffatt's and Danver's.

Some average per-person checks are: Shoney's Big Boy, $3.27; Captain D's, $2.83 at lunch, $3.82 at dinner, and Danver's, $3.85 at lunch.

Vicorp profit rises 96% in first qtr.

DENVER—Vicorp Restaurants Inc. reported that net profit for the first quarter, ended Feb. 5, jumped 96%, compared to the same period last year to more than $1 million.

Revenue for the quarter went up 131% to $34 million.

Vicorp operated or franchised 256 restaurants at quarter's end—130 company-owned and 126 franchised. In the same period last year it had a total of 191 restaurants.

First-quarter results included sales and profits from the Baker Square restaurant group, formerly Poppin Fresh Pies, which Vicorp purchased from The Pillsbury Company last May.

In February this year Vicorp bought the Continental Restaurant Systems division of Foodmaker Inc. for about $61 million. The division formerly a wholly owned subsidiary of Ralston Purina, operates 71 dinnerhouses.

Trolley Chef raises $500G in public offering

POMPANO BEACH, Fla.—Trolley Chef Inc., a startup company which operates snack stands in two South Florida Zayre department stores, has raised $500,000 in a public offering sold only in Rhode Island and New Jersey.

The proceeds from the 500,000-share offering, which is 15% of the company's stock, were to be used for short-term working capital. The company is so new it didn't furnish audited income statements.

Trolley Chef's developers, who plan to install two more snack bars in Zayre stores, have backgrounds in hotel management, real estate development, tax shelter sales and textile manufacturing.

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Sizzler net up 30%; fish test expands

LOS ANGELES—Buoyed by nine-month profit running 30% above last year, Sizzler Restaurants has begun a 20-unit test of daily fresh fish specials in the Phoenix and Atlanta markets.

Called "Operation Crow's Nest" within the company, the rest project began with seven units in Phoenix and was recently expanded to 13 more in Atlanta. A single-unit test of the fresh fish concept is expected to begin soon in the 450-unit chain's newest steak-and-salad bar restaurant, which opened earlier this month here in Los Angeles.

Sizzler has offered frozen shrimp, crab legs and finned fish on its standard menu and as promotional specials for sometime; but the "Crow's Nest" offerings include one or two never-frozen items each day such as grilled red snapper, sea bass, monkfish and swordfish, ranging in price from about $3.99 to $5.99.

The test also involves a somewhat expanded all-you-can-eat salad and fruit bar, and some prefrozen fish items like orange roughy poached in white wine.

Promotions in the test markets put forth the theme "We've changed because you've changed," stressing the apparent taste trend toward fresh, lighter dishes. Dollar-off coupons for catch-of-the-day items are running in local newspaper ads.

Sizzler president Tom Gregory said the "Crow's Nest" project was designed to test the level of customer demand and the consistency of supply lines. Purchasing of fresh product is being done at corporate headquarters here, with input from unit managers limited to quantities only.

While noting that early indications are positive, Gregory said it is still too early to make definite conclusions about expansion of the concept. However, if the tests are judged successful, fresh fish could be rolled out chainwide this year, he added.

Meanwhile, Sizzler reported an 11% gain in net profit over last year's third quarter to $1.5 million for the period ended Jan. 31. Third-quarter revenue was up 12% to $33.4 million.

Sizzler said severe winter weather depressed third-quarter results in many parts of the country; however, "excellent gains" in average unit volumes and customer counts elsewhere helped offset weather-related setbacks.

For the nine months ended Jan. 31, net profit was up 30% over the like period last year to $5.46 million. Revenue for the nine months increased 9% to $104.6 million.

At the end of the third quarter, Sizzler opened the first unit of its newest concept, Emma's Taco House, in Las Vegas. The company expects to open a second unit in Chicago by June, and a third in northern California later in the year.

Sandwich Chef profit up $105G

BIRMINGHAM, Ala.—Sandwich Chef, operator of 195 sandwich shops, posted $105,300 in net profit for the second quarter ended Dec. 31, 37% less than the year before. Sales, meanwhile, gained 38% to $6.2 million.

For the six-month period, net slipped 29% to $270,400 and sales advanced 34% to $12.3 million.

President Alan V. Kaufman blamed the second poor quarter in a row on low occupancy rates in Houston office buildings, where a number of Sandwich Chef units are located.

He projected strong gains in second-half pretax profits from reduced overhead and renegotiated leases.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Associated Hosts	3 mos.	12/29			$ 22.800	11.0	$ 0.794	85.0
A&M Food Services	3 mos.	12/27	$ 8.100	33.0			0.249	– 17.0
	12 mos.				25.000	21.0	1.100	18.0
Beefsteak Charlie's	3 mos.	1/21			20.000	– 9.0	(0.777)	—
Big Bite	3 mos.	9/30			4.700	—	1.500	—
Diversifoods	12 mos.	12/31			484.000	16.0	20.500	– 26.0
Greyhound	3 mos.				432.200	– 23.5	24.200	2.5
	12 mos.						105.500	2.3
Int'l Dairy Queen	3 mos.	11/30			23.500	19.5	0.982	11.7
	12 mos.				99.300	17.5	7.200	16.7
Luby's Cafeterias	3 mos.	11/30			38.900	14.0	3.600	14.0
McFadden Ventures	12 mos.	11/30	32.000	38.0			3.100	76.0
Pancho's	3 mos.	12/31			6.900	16.0	0.206	20.0
Sandwich Chef	3 mos.	12/31	6.200	38.0			0.105	– 37.0
	6 mos.		12.300				0.270	– 29.0
Shoney's South	3 mos.	12/25			33.400	16.0	1.060	342.0
	12 mos.				143.100	16.8	4.900	157.8
Sizzler Restaurants	3 mos.	1/31			33.400	12.0	1.500	11.0
	9 mos.				104.600	9.0	5.460	30.0
Steak 'n Shake	3 mos.	12/21			15.700	8.5	0.587	55.0
Vicorp Restaurants	3 mos.	2/5			34.000	131.0	1.000	96.0
Vie de France	6 mos.	12/11			24.200	32.0	2.400	32.0
Western Steer	3 mos.	11/4			9.020	28.0	0.494	65.0
	9 mos.				24.700	25.0	0.949	34.0

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

FRANCHISING IN THE 80'S: PART 1

Franchised food-service sales grow 13% in '83

By Ken Rankin

WASHINGTON—Sales at franchised food-service outlets will rise 14% to $44 billion this year as the number of units in operation increases by about 6,000 to more than 51,000, according to a new report issued by the United States Commerce Department.

Food-service chains that franchise roared out of the recession with an overall 13% sales increase and a net gain of more than 4,500 new units in 1983, says the report, entitled *Franchising in the Economy.*

If the Government's 1984 forecast is on target, the nation's food-service franchisors will be operating nearly 75,000 company and franchised establishments by the end of this year—more than double the total 36,340 franchise food-service units operating at the end of 1973.

More than 70% of the new food-service outlets opened by franchise chains in 1983 were licensed to franchisee operators, and if that ratio holds up this year franchisee-owned restaurant units alone could approach 51,800 by year end.

Although total franchise restaurant sales rose 13.2% to $38.7 billion last year, according to the newly released Government figures, sales by franchisee-owned food-service establishments climbed even faster (13.3%), from $22.2 billion in 1982 to $25.1 billion in 1983.

This year, the forecast again projects most of the sales gains registered by franchise restaurants will be rung up by franchisees rather than by company-owned outlets.

The nearly $39 billion in sales reported by franchise restaurant chains represents a more than tenfold increase over the total of 15 years ago, when the Commerce Department first started tracking franchise sales on an industry-by-industry basis.

In 1969, the Government reported total restaurant franchise sales at less than $3.8 billion.

On a per-unit basis, the new study indicates that dollar sales in the average franchise restaurant outlet rose by $30,000 (5.6%) last year to $562,000. The forecast for 1984 projects sales per establishment climbing by a slightly smaller amount ($28,000 or 5%) to an average of $590,000.

Company-owned and operated units enjoyed significantly higher sales per outlet than franchisee-owned restaurants last year ($634,000 vs. $530,000) and that discrepancy is expected to continue during 1984, according to the Commerce Department analysis.

Of the 458 restaurant industry franchisors participating in the Government study, 110 operate full-menu steak houses, 106 specialize in pizza, 102 feature "hamburgers, franks, roast beef, etc.," and the remainder are divided among chicken, seafood, Mexican specialty, pancake, sandwich and other menu specialties.

By far, however, burger chains such as McDonald's, Wendy's, Burger King continue to dominate restaurant franchising, both in terms of sales and unit counts.

By the end of last year, the nation's burger chains boasted a total of 28,563 outlets across the country—more than 41% of all food-service franchise establishments—which generated sales of nearly $19 billion (49% of all dollar volume rung up by franchise restaurants during 1983).

Pizza outlets ranked a distant second last year, with 17.5% of the units (and 11.4% of sales), while franchise steak houses placed third in store count (13.7% of the outlets) but second in dollar sales (18.8%).

In terms of sales per outlet, the report reveals wide differences between the various restaurant segments.

(Continued on page 38)

FRANCHISE RESTAURANT SALES GROWTH: 1969-84

Year	(000) Total	Company-Owned	Franchisee-Owned	% Sales Increase From Previous Year
1984*	$44,147,609	$15,360,844	$28,786,765	14.2
1983*	38,664,217	13,536,111	25,128,106	13.2
1982	34,158,518	11,985,068	22,173,450	13.7
1981	30,042,348	10,783,206	19,259,142	7.8
1980	27,867,046	9,129,708	18,737,338	12.5
1979	24,765,916	8,076,401	16,689,515	17.4
1978	21,100,788	6,733,545	14,367,243	16.1
1977	18,180,404	5,653,160	12,527,244	24.5
1976	14,606,313	4,647,136	9,959,177	19.1
1975	12,261,964	4,017,861	8,244,103	18.5
1974	10,350,567	3,335,338	7,015,229	21.3
1973	8,534,094	2,604,851	5,929,243	25.6
1972	6,797,405	1,753,297	5,044,108	15.6
1971	5,844,950	1,450,731	4,394,219	27.9
1970	4,602,111	1,123,314	3,478,797	21.4
1969	3,790,126	892,382	2,897,744	NA

Source: U.S. Dept. of Commerce, "Franchising in the Economy, 1982-84."

*1983 and 1984 figures are company estimates.

Capitol needs rise as agreement lengths fall for average licensee

NEWS ANALYSIS

WASHINGTON—The capital needed to purchase a franchised burger restaurant, pizza outlet or other food-service franchise has increased sharply since 1979, according to an analysis of the latest Government franchising studies.

At the same time, the average length of restaurant franchise agreements is growing shorter, while the likelihood that food-service franchisors will unilaterally refuse to renew those contracts is on the increase.

According to the Commerce Department's freshly released study, *Franchising in the Economy,* between 1982 and 1984 the average per-unit dollar sales of all franchisee-owned restaurant outlets is increasing rapidly. And to an extent, this increase in per-unit dollar volume coupled with general inflation may justify at least part of the recent increases in franchisee capital investment demanded by fast-food chains and other food-service franchisors.

Between 1979 and 1982 (the most recent year for which Commerce Department researchers reported "nonestimated" data on franchising) annual dollar sales by the average franchisee-owned restaurant establishment rose from $397,000 to $502,000—an increase of just over 26%.

But during that same three-year period the average total dollar investment required of new incoming restaurant franchisees climbed more than three times faster than average sales per unit.

In 1979, for example, Commerce Department experts reported that the median total investment demanded of new food-service franchisees was $155,000. But for 1982, the Department disclosed that individuals purchasing a franchised restaurant establishment during that year were required to come up with an average total investment of $285,000—an increase of more than 83%.

Although averages can sometimes be misleading, there are also significant increases in franchisee dollar investment requirements at both the high and low ends of the spectrum.

During 1979, for example, prospective franchisees could still find opportunities to purchase a franchised food-service operation for as little as $18,000. In 1982, however, the cheapest restaurant franchise reported by Government market analysts carried a total price tag of $20,000 (including equipment, supplies, etc., as well as franchise fees).

On the opposite end of the scale, the most expensive food-service franchise (in terms of total franchisee investment costs) was $1.2 million. By 1982, however, the dollar ceiling had been raised 67% to $2 million.

The typical "start-up" capital required of new food-service franchisees is also rising rapidly.

During 1979, the median restaurant franchise required an initial investment of $50,000 by new franchisees, while the most expensive called for a "start-up" investment of $500,000. By 1982 both of these figures had increased by 50% (to $75,000 and $750,000, respectively).

(Significantly, the lowest start-up cash requirement of any restaurant franchisor—$5,000—remained constant during that three-year period.)

Trend

One explanation for the upsurge in franchisee investment costs is the trend among many burger, chicken and other fast-food chains to upgrade their establishments in order to remain competitive.

In noting this trend, the Commerce Department's study said that "many franchise operators have become more customer-oriented, and are offering such amenities as drive-in/drive-through service in an effort "to compete with other restaurant chains."

Of the more than 450 food-service franchisors participating in the department's surveys, a total of 278 chains reported that they now offer either "self-service, drive-in or drive-through" facilities, many of them added between 1979 and 1982.

But if upgrading of facilities contributed to the steep rise in franchisee investment requirements between 1979 and 1982, additional improvements planned by many fast feeders now could well trigger even sharper increases in the average capital needed to purchase a franchise during the next few years.

In an address to the International Franchise Association's annual meeting in Acapulco, Mexico, last month, the Commerce Department's chief franchise specialist, Andrew Kostecka, predicted extensive and costly renovations for many chains in the near future.

"Stepped-up activity will be seen in the upscaling of franchised restaurants in exterior and interior decor, service and upscaling in quality and variety of food served," Kostecka maintained.

While food-service franchisees are spending more to "buy in," there are indications that they may be asked to accept less favorable contract terms than in the past.

For many investors, the most important aspect of a franchise agreement is its duration—the length of time that the franchisee will be allowed to remain a part of the system and use the franchisor's trademarks under the original conditions and terms of the contract.

In general, the shorter the length of the contract, the greater the risk that the franchisee will be forced to accept less favorable terms (if not forced to close shop altogether) before he is able to earn a reasonable return on his investment.

Unfortunately for restaurant franchisees who jumped on the bandwagon late, there is a distinct trend toward shorter duration agreements.

During 1972, for example, Government surveys indicate that almost 60% of all restaurant franchisors offered franchise agreements lasting for 20 years or more. By 1982, only 53% of the chains did.

During that same three-year period, the proportion of restaurant franchisors offering investors "perpetual" licenses declined from 12.3% to 10.2%.

Although the number of chains requiring franchisees to accept licenses of very short duration (five years or less) remains small, the percentage of these chains is growing dramat-

(Continued on page 39)

The average total dollar investment required of new restaurant franchisees climbed more than three times faster than average sales per unit between 1979 and 1982.

FRANCHISE RESTAURANT UNIT GROWTH: 1969-84

Year	Total Units	Company-Owned	Franchisee-Owned	Net Gain (Loss) in Unit Count
1984*	74,842	23,087	51,755	6,119
1983*	68,723	21,351	47,372	4,547
1982	64,176	20,017	44,159	2,330
1981	61,846	19,355	42,491	1,887
1980	59,959	17,826	42,133	1,023
1979	58,936	16,884	42,052	3,624
1978	55,312	15,510	39,802	3,340
1977	51,972	14,527	37,445	5,074
1976	46,898	12,562	34,336	3,915
1975	42,983	11,685	31,298	3,187
1974	39,796	10,115	29,681	3,456
1973	36,340	8,316	28,024	3,802
1972	32,538	6,319	26,219	2,119
1971	30,419	5,496	24,923	(2,165)
1970	32,584	4,906	27,678	3,848
1969	28,736	3,842	24,894	NA

Source: U.S. Dept. of Commerce, "Franchising in the Economy, 1982-84."

*1983 and 1984 figures are company estimates.

FRANCHISING IN THE 80'S: PART 1

Franchise sales rise 13% in '83; another 14% seen in '84

(Continued on page 36)

While the average franchise steak house outlet is forecast to generate sales of more than $813,000 this year, the typical franchise pizza establishment will ring up less than $383,000 and the average sandwich franchise will enjoy 1984 sales of only about $220,000.

Among burger restaurants, the per-unit average is forecast to rise to more than $695,000 this year, while most other types of chains (chicken, seafood, Mexican, pancakes, etc.) will average between $460,000 and $590,000 per outlet.

California remains the leading state in terms of total numbers of franchise restaurants, according to the study. By the end of 1982, California boasted 6,068 franchised food-service outlets (10.2% of the national total) followed closely by Texas with 5,508 units (9.2%).

Ohio (3,360 outlets), Florida (3,052) and Illinois (2,870) round out the top five in terms of franchise food-service penetration.

Employment levels in the franchise restaurant sector rose by 9% during 1982 despite sluggish economic conditions throughout many parts of the nation. The number of new jobs created by franchise restaurant growth topped 150,000 in '82, as total employment levels rose to more than 1.8 million.

"Employment in the franchised restaurant industry accounts for 37% of employment in the franchise system as a whole and should continue to rise in the next few years," the Commerce Department report predicted.

Although the *Franchising in the Economy* analysis paints a bright picture for the future of food-service franchise operations, it also acknowledges a number of challenges facing restaurant franchisors.

"Since 1980, the franchised restaurant industry experienced marked structural changes as high interest rates and high construction costs prompted franchisors to scale down their plans and build smaller sized units," the report noted.

"Conversion of independent units to franchising has also picked up, including restaurant sites within other retail chains or locations," the study said.

The total number of franchisors in the restaurant segment rose by 18 (on a net basis) last year, even though "11 franchisors with a total of 143 restaurants (106 franchisee-owned) went out of business," and another 21 chains (with a total of 262 units, including 69 owned by franchisees) decided to abandon franchising as a method of marketing.

"There were 14 big franchisors with over 1,000 units each in 1982, one more than the previous year," and combined "they represented 53% of all restaurants in the franchise system [33,970 units]," the report said.

These 14 giants also "represented 59% of total franchised restaurant sales, i.e., $20 billion, of which $14.2 billion were by franchisee-owned units," according to the study.

In response to increased competition, a number of fast-food chains and other restaurant franchisors have begun to offer patrons alternatives to traditional walk-up counter service.

"To compete with other restaurant chains, many franchise operators have become more customer-oriented, and are offering such amenities as waiter/waitress service or self-service and/or drive-in/drive-through service," the Government market analysts said. "Most restaurants offer one type or the other" but "20 franchisors offer both," according to a survey conducted by the department covering 1982.

The Commerce Department study also took note of the continuing appeal of international expansion to American fast feeders and other United States restaurant franchisors.

"As many foreign countries improve their standard of living and evolve into more service-oriented economies, receptiveness to American-style franchising will continue to create export opportunities for United States franchisors despite increased competition from local firms and other international firms," the report maintained.

FRANCHISE RESTAURANT STORE COUNT

(By Type of Establishment)

		1982			1983*			1984*		
Type of Restaurant	# of Firms	Total Units	Company-Owned Units	Franchisee-Owned Units	Total Units	Company-Owned Units	Franchisee-Owned Units	Total Units	Company-Owned Units	Franchisee-Owned Units
Total	458	64,176	20,017	44,159	68,723	21,351	47,372	74,842	23,087	55,755
Chicken	32	7,773	2,591	5,182	8,528	2,856	5,672	9,489	3,197	6,292
Hamburgers, Franks, Roast Beef, etc.	102	27,285	6,100	21,185	28,563	6,430	22,133	30,658	6,952	23,706
Pizza	106	10,629	3,700	6,929	12,042	4,099	7,943	13,497	4,464	9,033
Mexican (Taco, etc.)	33	3,059	1,399	1,660	3,374	1,505	1,869	3,683	1,611	2,072
Seafood	14	2,840	1,312	1,528	3,060	1,447	1,613	3,366	1,602	1,764
Pancakes, Waffles	15	1,645	516	1,129	1,640	514	1,126	1,698	508	1,190
Steak, Full Menu	110	9,135	4,020	5,115	9,429	4,101	5,328	9,927	4,294	5,633

Source: U.S. Dept. of Commerce, "Franchising in the Economy, 1982-84."

*1983 and 1984 figures are company estimates.

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